



Daily Report

East Asia

FBIS-EAS-93-160
Friday
20 August 1993

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Japan

Ministers on Results of Special Cabinet Meeting

OW1908054293 Tokyo NHK General Television
Network in Japanese 0300 GMT 19 Aug 93

[From the "NHK News" program]

[Text] This morning, the government held a special informal meeting of economic ministers. Concluding that an early full-fledged economic recovery is difficult to expect because of the sharp rise in the value of the yen, the government has decided to set up a ministerial council in order to come up with emergency economic reform measures. The council will produce concrete measures on expanding domestic demand and on deregulating government controls by the middle of September.

The first special meeting by the Morihiro Hosokawa cabinet was called to discuss what economic policy the government should pursue henceforth, as there is growing concern that the recent yen appreciation could further delay economic recovery.

In the meeting, cabinet ministers agreed that economic recovery conditions are patchy and that it is too early to tell whether the economy is making a full-scale recovery. Thus, the meeting in effect revised the Economic Planning Agency's earlier announcement that the economy has hit bottom.

The meeting then agreed to create a ministerial council which will prepare emergency economic reform measures to deal with the recent yen appreciation. Within the next month the council will come up with a reform plan to deal with the immediate problems. The council will also tackle the question of recirculating gains from yen-appreciation to consumers, as well as the problem of deregulating government controls.

Regarding the issue of government control deregulation, the council is required to prepare a list of specific items for deregulation by early next month, and ministries concerned will present their specific plans for deregulation by the middle of next month.

At a news conference following the informal cabinet meeting, Chief Cabinet Secretary Takemura spoke about the recirculation of gains from the yen appreciation, and said that while the administration's hands cannot reach many of the areas concerned, it hopes the industries concerned will make efforts in this regard. He thus expressed hope that the recirculation of gains will be actively effected not only by public utility companies—in areas of electric power and gas rates—but also by individual private industrial companies.

Meanwhile, in reference to power and gas rates, Hiroshi Kumagai, minister of international trade and industry, said he has instructed offices concerned to survey the cost status of companies. He thus made it clear that his ministry has started to study the question of reducing

power and gas charges as a key point in the recycling of gains from the yen appreciation to consumers.

Minister Kumagai said he does not want to talk about details at this stage, but added that if changes are to come on rates, they will be of substance. He said he issued instructions to determine the cost status of utility companies yesterday.

Kumagai also said it is necessary to take all possible measures including financial ones, to deal with the economic situation; and showed a very forward-looking view on the question of reducing official discount rates and taking additional financial measures.

'Major Remarks' Quoted

OW1908064793 Tokyo KYODO in English 0641 GMT
19 Aug 93

[Text] Tokyo, Aug. 19 KYODO—Prime Minister Morihiro Hosokawa and cabinet ministers discussed the yen's rise on foreign exchange markets, Japan's business climate and possible public service charge cuts at a special cabinet meeting Thursday [19 August].

The following are major remarks, according to ministers.

Economic Planning Agency General Director Manae Kubota: The current economic situation is "severe" due to the recent unseasonable weather and the yen's rise.

Masayoshi Takemura, chief cabinet secretary: The government will take appropriate measures on the yen issue. The measures, taking into account broad-based views and breaking from convention, should return benefits of the yen's rise against the dollar to consumers. The same attitude will be applied to the issue of deregulation, which is now being proposed as a means of stimulating the nation's economy.

Finance Minister Hirohisa Fujii: The current economic situation is "very delicate."

Kubota: The (Economic Planning) Agency will consider reductions of public service charges in order to return the benefits of a stronger yen to consumers through market mechanisms.

Hiroshi Kumagai, minister of international trade and industry: Comprehensive measures to beef up the economy are necessary. The government should discuss all possible measures, not only deregulations and returning exchange benefits to consumers.

Kanju Sato, home affairs minister: Public works orders revised by construction sectors are at full capacity.

Takemura: A cabinet meeting on public works be held to follow up implementation of the government's latest economic stimulus package. [sentence as received] The government wants to decide this month on a date for another economic ministers meeting to draw up overall pump-priming measures. The plan should be drawn up within a month's time.

Hosokawa: I hope that all the plans and suggestions will proceed as smoothly and quickly as possible.

'News Focus' on Industry Reaction to Rising Yen

OW1908090493 Tokyo KYODO in English 0757 GMT
19 Aug 93

["News Focus" by Keiko Tatsuta: "Industries Snared in Vicious Yen Cycle"]

[Text] Tokyo, Aug. 19 KYODO—Japanese industries are stuck with the high yen—and they're screaming again, and louder.

The currency's swift jump in value on foreign exchange dealings may delay the nation's economic recovery, discourage domestic demand and spoil corporate confidence. It may lead to fewer imports and fail to reduce the trade surplus, and then shoot up in value again.

Analysts worry that the yen's quick surge will be fatal to key industries, especially export-oriented businesses such as automakers and electronics companies. "At this level of yen-dollar exchange rates, both electronics goods and automobiles are being exported in the red," said Jiro Ushio, chairman of Ushio Inc.

"The break-even line is 115 yen. No matter how much we exert ourselves, we cannot make a profit at the current exchange rate," an official of Bridgestone Corp. said.

But Japanese industries have had plenty of time to prepare for a strong yen. In September 1985, just before the Plaza Accord, the yen-dollar exchange rate was around 238 yen. By January 4, 1988, it hit 120.45 yen.

During the "bubble" economy, or exorbitant economic expansion led by active consumer spending in the late 1980s, industries went headlong into equipment and plant expansion with high expectations of increasing demand. It resulted in surplus production capacity.

When the bubble burst, domestic demand shrank and businesses were forced to export their excessive production, which caused the vicious cycle of an expanding trade surplus and the yen's ascent.

Export industries trying to survive the strong yen cannot help but hasten their shift to production overseas to minimize losses. But it can also lead to industrial "hollowing," higher unemployment and eventually social unrest, said Takeshi Nagano, president of the Japan Federation of Employers' Associations (Nikkeiren).

Koichi Takagi, managing director of Nissan Motor Co., painted a bleak picture for the auto industry, saying, "Almost all automakers will probably post an operating loss for the current business year."

Nissan moved quickly with streamlining efforts to cope with the 110 yen level, but it cannot survive the present

quick rate of gains, Takagi said. "The current level (of near 100 yen) is completely beyond our corporate efforts to adjust," he said.

In 1989, the nation's second-ranked automaker worked out an international cooperation program to raise the ratio of overseas production and export up to 2:1 by the end of the century from a 1:2 ratio in fiscal 1989. The idea was to help reduce Japan's trade surplus, according to a company spokeswoman.

But with the hasty shift to overseas production and the possibility of a depression in domestic plants and sub-contractors, Nissan will proceed carefully, she said, adding that it may take longer than originally envisaged.

The No. 1 automaker Toyota Motor Corp. also revised downward its target of overseas production to 880,000 vehicles from an original 940,000 for 1993 in an apparent similar move to avoid hurting domestic employment.

In contrast to automakers who need around 100 billion yen to construct plants overseas, relatively nimble electronics makers are actively shifting their production overseas as a knee-jerk reaction to the yen's gains.

Pioneer Electronic Corp. has gradually moved production to its Taiwanese factory and other overseas plants, while intensively trying to maintain domestic employment levels. Even so, these companies have been hit hard by the economic slowdown.

Since April, Alps Electric Co., a leading electronic parts maker, has asked 1,300 employees to retire voluntarily and plans to close its three domestic factories by September.

Despite a possible long-term manpower shortage, there may be a mismatch due to a short-term cut in employment and a shift to overseas production, said an economist at a think tank affiliated with the Japanese Trade Union Confederation (Rengo).

It is estimated that the surplus production capacity of Japan's automakers is above two million vehicles because of the equipment buildup during the bubble economy.

"Automakers and electronics companies cannot afford domestic employment after shifting production overseas," said a senior official of the Ministry of International Trade and Industry (MITI).

Nikkeiren reportedly suggested a wage cut next spring to reduce costs of export-oriented industries so they can remain competitive abroad and avoid dismissals at home.

Deregulation is among calls by industries to ease pressure caused by the yen's appreciation. There are also calls for more market liberalization, further easing on the official discount rate, and passing-on of windfall exchange profits to consumers.

The yen's appreciation for five years since 1985 helped reduce import costs by 34 percent, while domestic consumer prices for items protected by market restrictions and price-supporting policies were rigid, according to a report by Asahi Bank.

Once a balanced economic system is realized, exchange rates may reflect the real state of the economy, besides short-term speculative moves, Saichi Nakazawa, director of the industrial structure division at MITI's Industrial Policy Bureau, told KYODO NEWS SERVICE.

Kumagai Criticizes Higher Bank Lending Rates

OW2008032893 Tokyo KYODO in English 0322 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—Japan's trade minister Friday [20 August] complained that bank lending rates remain high compared with the lowest ever official discount rate. International Trade and Industry Minister Hiroshi Kumagai said at a press conference after a regular cabinet meeting that he conveyed industries' complaints about bank reluctance to lend money to the governor of the Bank of Japan.

Although the yen slipped against the dollar to the 105 yen level on foreign exchange dealings Friday morning, Kumagai said he does not think that pressure on businesses from the yen's appreciation is over.

Kumagai indirectly blamed the central bank for effectively giving subsidies to financial institutions, because although it cut the base rate to the lowest level, commercial banks' lending rates have not necessarily fallen enough.

The trade minister said financial institutions continued posting operating profits thanks to wider loan spread. Kumagai acknowledged bad debt problems afflicting Japanese financial institutions but suggested the issue should be resolved through structural measures.

For the business year ended March 31, banks recorded jumps on net operating profits from their main business but posted drops on pretax profits due to hefty bad debts because of excessive lending during the "bubble" economy.

Hosokawa Describes Yen's Retreat as 'Respite'

OW2008022993 Tokyo KYODO in English 0158 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—Prime Minister Morihiro Hosokawa on Friday [20 August] described as "something of a respite" the yen's sharp downfall against the dollar overnight.

The yen plummeted to 105.80-90 yen in overnight New York dealing after the Federal Reserve Bank of New York intervened and a key government official warned against the yen's high-pitched rise against the dollar.

U.S. Treasury Undersecretary Lawrence Summers said the recent rapid rise of the yen could be detrimental to the growth of both the Japanese and world economies. His remarks puzzled investors who, believing the U.S. Government favors a strong yen to slim the yawning bilateral trade gap, had snapped up the yen since early this year.

Asked if the United States has shifted from its previous high yen-supporting stance, Hosokawa said, "I think any nation would not desire wild swings (in the currency markets.)"

Bank Said Ready To Stem Yen-Buying Pressure

OW1908133593 Tokyo KYODO in English 1324 GMT 19 Aug 93

[Text] Tokyo, Aug. 19 KYODO—A Bank of Japan official said Thursday [19 August] the central bank will do whatever it can to stem yen-buying pressure if the latest U.S. trade data sparks renewed buying of the Japanese currency.

The official, speaking on condition of anonymity, was referring to reports from Washington that the U.S. merchandise trade deficit in June climbed 44.0 percent to 12.06 billion dollars, the largest since October 1987.

The official said the June trade deficit may be seen as "larger than expected" but added quickly that the deficit with Japan is not so big in terms of the overall U.S. trade deficit in June.

The U.S. Commerce Department said the trade deficit with Japan in June gained 15.5 percent to 4.33 billion dollars.

The Japanese share of the overall U.S. trade imbalance narrowed to 36.9 percent from 57.4 percent in May, however, according to the department.

Fujii Welcomes U.S. Treasury Official's Statement

OW2008033993 Tokyo KYODO in English 0332 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—Japanese Finance Minister Hirohisa Fujii on Friday [20 August] welcomed an overnight statement by U.S. Treasury Undersecretary Lawrence Summers that triggered the dollar's sharp rebound against the yen, saying he shares the same view. Fujii, speaking at a scheduled news conference held after the morning cabinet meeting, praised Summers' remarks welcoming lower short-term interest rates in Japan, while recalling the April agreement by the Group of Seven (G-7) economic powers to cooperate on stabilizing the currency exchange market.

The finance minister, while denying any secret agreement between the two countries, said Summers seems to have understood that volatility of a country's currency unit will not help the world economy. He did say,

however, that Japan has maintained close touch with its G-7 counterparts on recent exchange rate fluctuations.

The dollar began its trading in Tokyo on Friday at 104.80 yen, soaring 2.82 yen from the previous day close here.

Fujii said rapid movement in exchange rates is undesirable, but he described the dollar's overnight upturn as a simple "rebound" against its recent setback. "We will continue to closely watch developments (on the currency market)," he said.

Meanwhile, he said the recent fall of call money rates in Tokyo is a "natural trend" reflecting the easing supply-demand balance of funds due to the slumbering economy. He denied any direct link between Tokyo's decision Thursday to advance deregulation on businesses and Summers' statement.

Fujii said the government's efforts are significant from a perspective of credibility of the Japanese economy rather than only from the currency market viewpoint.

The administration of Prime Minister Morihiro Hosokawa announced Thursday it will compile a menu of measures for deregulation in early September.

Fujii on Friday added the government's initial efforts to pass on the benefit of the stronger yen to consumers will be put into practice around September 20.

Referring to the monthly government economic report approved by the cabinet Friday, Fujii said it does not mean there will be a "double-dip" recession or that the situation may get even worse. He said one should literally take the wording of the report, which, modifying its earlier views that the economy is moving toward recovery, said prospects are not that good.

With regard to newly revealed stock scandal involving former employees of Cosmo Securities Co., Fujii said the ministry will tighten its stance toward the industry in an effort to help them recover their credibility among investors.

The Finance Ministry imposed a 10-day suspension of business against Cosmo's corporate marketing department as a penalty for being involved in the scandal, which led Daiwa Bank to take over Cosmo and its 70 billion yen special loss.

Hosokawa, Clinton Telephone Call Reported

OW1908055693 Tokyo KYODO in English 0544 GMT 19 Aug 93

[Text] Tokyo, Aug. 19 KYODO—Prime Minister Morihiro Hosokawa talked with U.S. President Bill Clinton over the phone Thursday [19 August] and the two leaders agreed to meet in New York in late September, officials said. The officials said the first summit meeting between

Hosokawa and Clinton will coincide with Hosokawa's visit to the United States for the United Nations General Assembly.

The officials said that during the 20-minute telephone conversation, Hosokawa pledged to help correct the trade imbalance between the two countries, and Clinton congratulated Hosokawa on becoming Japan's new prime minister.

The telephone conversation marked Hosokawa's first contact with Clinton since he assumed the premiership August 9, succeeding Kiichi Miyazawa.

The prime minister promised to "honor this (economic) framework" and urged Clinton to join him in taking steps to improve Japan-U.S. trade relations, the officials said. In return, Clinton emphasized the need for the framework arrangements to make progress, the officials said.

The framework pact, of which details are yet to be negotiated, was concluded in Tokyo between Miyazawa and Clinton just after the July 7 to 9 economic summit of the Group of Seven (G-7) major industrialized countries.

Clinton, repeating his Tokyo statement that the Tokyo-Washington relationship is the most important for the U.S., told Hosokawa that he hopes to see the Japanese premier if he plans to come to Seattle in November for a high-level meeting of the Asia-Pacific Economic Cooperation (APEC) forum.

The Japanese officials said Hosokawa is looking forward to meeting Clinton in Seattle.

Hosokawa praised the passage of U.S. budget legislation aimed at reducing America's huge budget deficit, the officials said.

The Japanese leader also conveyed condolences to the victims of massive floods in the U.S. and received sympathetic words from Clinton about landslides and other natural disasters that have hit southern Japan, the officials added.

Clinton said his appointment of former Vice President Walter Mondale to be the new ambassador to Tokyo underscores the importance he attaches to Japanese relations, the officials said.

Visiting U.S. Congressmen Urge Action on Trade

OW2008084193 Tokyo KYODO in English 0820 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—A group of U.S. Congressmen responsible for trade Friday [20 August] urged Japan's new government to rapidly implement market-opening measures, Foreign Ministry officials said. The eight-member delegation from the U.S. House of Representatives made the call in a half-hour meeting with Foreign Minister Tsutomu Hata.

Hata, who is concurrently deputy prime minister, replied that coalition government plans to institute a number of deregulatory measures.

He said the government will work simultaneously at the tasks of bringing the Japanese economy out of the doldrums and reducing the massive trade imbalance that favors Japan. Imports would be expected to rise as domestic demand grows, Hata said.

He briefed the Congressmen on an agreement among cabinet ministers Thursday to set up a council to study deregulation and work out a comprehensive economic adjustment plan along the lines of the 1986 Maekawa Report, which dealt with economic restructuring.

Representative William Thomas said while the Japanese Government's commitment to free trade and open markets is fine, time is of the essence.

Hata responded that while the Maekawa Report took a year to formulate, the process this time must be faster.

Without explicitly referring to Japan's closed rice market, Thomas said it is vital for Hata and other leading coalition members to exert leadership so the stalled Uruguay Round of multilateral trade negotiations can be wound up by the end of the year.

"Measures to promote deregulation and expansion of domestic demand are certainly important," Thomas said. "But action to expedite a successful conclusion of the Uruguay Round cannot await their implementation."

Officials said Hata agreed on the Round's importance, warning it would be "extremely dangerous" for world trade if not concluded this year.

The legislators, all members of the House Ways and Means Committee, arrived in Japan on Thursday for a three-day stay, following visits to Vietnam, China and Hong Kong.

Hosokawa Receives Congressmen

OW2008100193 Tokyo KYODO in English 0942 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—Sam Gibbons, chairman of a powerful U.S. congressional trade panel, urged Prime Minister Morihiro Hosokawa Friday [20 August] to help correct the soaring trade imbalance with the United States.

Gibbons, chairman of the House of Representatives Ways and Means Subcommittee on Trade, said he discussed with Hosokawa the trade deficit and "the fact that we must get some positive action on opening the Japanese market and expanding the Japanese economy so that consumption will increase." He said after a 40-minute meeting with Hosokawa that he is "very pleased with our discussion with the prime minister" and that he thinks Hosokawa's reaction to the talks was "good."

Gibbons, a Florida Democrat, arrived in Japan on Thursday with eight other House members to discuss bilateral economic relations with Japanese officials. The eight members joined Gibbons in his meeting with Hosokawa at the prime minister's official residence.

Foreign Ministry officials quoted Gibbons as saying the United States Congress is becoming extremely results-oriented and that dramatic results in bilateral relations are necessary. He also told Hosokawa that while Japan is internationally prosperous, he has an impression that the Japanese public does not benefit from that success, the officials said.

Gibbons said he believes Hosokawa is determined to carry out political reform, deregulation and open the Japanese market. He expressed hope that these steps would greatly improve Japan-U.S. ties, the officials said.

Hosokawa was quoted as saying his government will continue to place the importance on its relationship with Washington and that he will do his best to tackle pending bilateral problems.

During the meeting, the congressmen voiced great expectations of the new Japanese Government, they said.

At the outset of their talks, Gibbons told Hosokawa it is a "remarkable coincidence" that U.S. President Bill Clinton and Hosokawa are both former governors of rural regions and that he has great expectations of Hosokawa.

Hata: Hosokawa Speech To Omit WWII Compensation

OW2008042393 Tokyo KYODO in English 0417 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—Foreign Minister Tsutomu Hata said Friday [20 August] that while the new Japanese Government intends to frankly apologize for Japan's actions up to and during World War II, it will not mention the issue of compensation. But Hata, who was referring to Prime Minister Morihiro Hosokawa's policy speech to be delivered in the Diet on Monday, noted as an exception in the case of Asian "comfort women," who were forced to sexually service frontline Japanese soldiers.

Hata, speaking at a press conference, said that Hosokawa's speech would not address the issues of compensation insofar as they pertain to matters already settled in the San Francisco Peace Treaty or in bilateral treaties. He said the essence of Hosokawa's message will be that Japan reflects on and frankly apologizes for having caused trouble for various countries, and that Japan commits itself to peace in the future, keeping in mind the post-war prosperity it has achieved under conditions of peace.

Hata said Japan must deal with the issue of comfort women as a "special, humanitarian issue." Historians say an estimated 100,000 to 200,000 women, mostly

from the Korean peninsula, were sent to frontline brothels to provide sex to Japanese soldiers.

Management and Coordination Agency Chief Koshiro Ishida said the government should draw a line between the issue of compensation and Japan's war responsibility. Ishida told the news conference that Japan has already settled with concerned nations about reparations.

On Hosokawa's policy speech, Ishida said the premier should use the phrase "war of aggression" to show Japan's responsibility for the conflict. "Although there are opposing arguments that the feelings of bereaved families (in Japan) should be considered, I think we should address the matter of responsibility."

Documents: Germ Warfare Used in WWII in China

OW1408053793 Tokyo KYODO in English 0440 GMT 14 Aug 93

[Text] Tokyo, Aug. 14 KYODO—Japanese researchers said Saturday [14 August] they uncovered key documents that prove senior officers of the Japanese Imperial Army carried out germ warfare under a secret biological warfare unit during the 1937-1945 Sino-Japanese War.

Professor Shinichi Arai of Surugadai University, head of a civic inquiry group, said members of his Tokyo-based group discovered the first Japanese documents of germ warfare in China by what is known as Unit 731 among thousands of archives at the Library of the National Institute for Defense.

Arai said one document reported that a bomber scattered fleas contaminated with plague bacilli in Changde in Hunan Province in November 1941.

He said another document of an army medical affairs division chief cited a plan to grow some 750,000 rats by farmers in Saitama, Ibaraki and Tochigi Prefectures for germ warfare.

Last year, other Japanese researchers said they discovered evidence of Japan's germ warfare in official Chinese documents. The Chinese documents state that the army sprayed germ-contaminated fleas over Zhejiang Province in central China during the Sino-Japanese War, killing more than 400 residents.

Unit 731 was led by Maj. General Shiro Ishii. The unit is known for its brutal acts against prisoners for biological and chemical warfare research between the mid-1930s and 1945.

Arai said the Defense Agency still bars public inspection of most of the wartime journals of senior officers. He said he will press the agency to open the classified documents for further inspection.

Lobby: Government Should Clarify NPT Stance

OW2008112093 Tokyo KYODO in English 1006 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—Tokyo's failure to explain its misgivings about an indefinite extension of the nuclear non-proliferation treaty (NPT) has triggered "misunderstandings" that the country aims at becoming a nuclear power, a top executive of Japan's nuclear industry said Friday [20 August].

"The Japanese Government has always said 'wait a minute...wait a minute.' I think this has caused misunderstandings, as Tokyo did not state the reasons," Kazuhisa Mori said.

Mori, managing executive director of the Japan Atomic Industrial Forum (JAIF), which groups almost 800 corporations engaged in the nuclear industry, was speaking to reporters at the Foreign Correspondents' Club of Japan.

Japan's lack of enthusiasm for proposals on the treaty's indefinite extension at the Tokyo summit coupled with the controversial shipment of a ton of reprocessed plutonium to Japan completed in January this year has raised suspicions abroad that the country wants to keep open an option on the bomb.

Asian countries, always on the alert for a resurgence of Japanese militarism, have said that Japan's wealth, its plutonium stocks and ample research facilities give it the capacity to build atomic weapons.

Mori suggested that the government considers the indefinite extension of the NPT beyond its expiry in 1995 as "only one option" and that it failed to come up with concrete alternative proposals at the summit due to an ongoing domestic discussion about other factors such as how to deal with countries that have not yet joined the NPT framework.

He dismissed allegations Tokyo wants the bomb to deter a North Korea that is allegedly pursuing a nuclear weapons development program. "Even if North or South Korea go nuclear, Japan will not arm itself with nuclear weapons," Mori said, adding that even if it wanted to do so, Japan as an exporting country cannot risk upsetting its trade partners.

The NPT came into force in 1970 and prohibits non-nuclear powers from developing and producing nuclear weapons or acquiring them from nuclear powers. Non-nuclear signatories are also required to accept international inspections of nuclear facilities to prevent the spread of fissionable materials.

"The current NPT is nothing more than a treaty to allow certain countries to possess nuclear weapons," Mori said in criticism of the treaty. The treaty also calls on the five nuclear powers—Britain, China, France, Russia and the United States—to proceed with nuclear disarmament but does not oblige them to abolish nuclear weapons.

Mori suggested that the signatories should use the NPT conference in 1995, which is to decide whether to extend the treaty indefinitely or for a limited period, to revise the NPT into a treaty with a prohibitive character similar to the international conventions on abolition of biological and chemical weapons.

With such a global ban the international community could apply pressure on countries which stay outside the NPT framework through economic or other sanctions, he said.

The potential nuclear powers India, Pakistan, and Israel have not signed the NPT and North Korea has suspended but not yet retracted a decision to opt out of the treaty.

Pointing to the limited time for revision until the NPT expires, Mori said that for the time being the 158 NPT-adherent countries should issue a statement that clearly states the treaty is only the first step toward total abolition of all nuclear weapons within a certain period.

Japan, as the only nation that has sustained nuclear attacks, should take the lead in promoting the "idealistic" aim of a total nuclear ban, he said.

ROK President Hopes To Meet Hosokawa in U.S.

OW2008055593 Tokyo KYODO in English 0541 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—South Korean President Kim Yong-sam is looking forward to meeting Prime Minister Morihiro Hosokawa in Seattle in November, a Japanese Foreign Ministry official said Friday [20 August]. Kim relayed his hope to Hosokawa when the Japanese premier met Kim Yun-hwan, chairman of the South Korea-Japan Parliamentarians' League, at his official residence Friday morning, the official said.

The South Korean president hopes to see Hosokawa at the annual meeting of the Asia-Pacific Economic Cooperation Forum in Seattle in November, the official said.

Hosokawa reportedly replied that he also hopes to see Kim Yong-sam on that occasion and said he recognizes the importance of Tokyo-Seoul relations. But the official said there was uncertainty about whether the encounter between the leaders will be arranged as a bilateral summit meeting.

Touching on outstanding matters, the South Korean legislator said he hopes for a settlement of unresolved issues on Japan's military actions up to and during World War II.

The Japanese prime minister reportedly expressed his gratitude for the appreciation by Seoul of the outcome of Tokyo's investigation into the former Japanese Imperial Army's forced recruitment of Korean women as prostitutes.

The Japanese Government, announcing the results of its probe earlier this month, officially acknowledged that the Army forcibly held Korean women in sexual servitude for its soldiers before and during the war.

Kim Yun-hwan said his group has no intention of demanding compensation from Japan for the suffering of former "comfort women," but does wish to resolve issues concerning Japan's past misdeeds. He was apparently referring to Japan's 1910 to 1945 colonization of the Korean peninsula.

He and four other members of the South Korea-Japan Parliamentarians' League called on Hosokawa before visiting Yohei Kono, president of the Liberal Democratic Party that was ousted in July by Hosokawa's seven-party coalition after 38 years in power. They are now in Japan to lay the groundwork for a joint general meeting of the South Korea-Japan Parliamentarians' League and its Japanese counterparts, set for September 2 in Seoul.

ROK Opposition Wants Help on 1973 Abduction

OW2008031593 Tokyo KYODO in English 0303 GMT 20 Aug 93

[Text] Tokyo, Aug. 20 KYODO—South Korea's opposition Democratic Party will call on Japan to cooperate in an investigation of the 1973 abduction in Tokyo of its former leader Kim Tae-chung, Japan's most senior government spokesman said Friday [20 August].

Chief Cabinet Secretary Masayoshi Takemura told a news conference the Democratic Party's special investigation committee will ask Prime Minister Morihiro Hosokawa in a letter for Tokyo's cooperation. He had no further details.

"I know there is a move within the Democratic Party to get to the bottom of the incident as this year marks its 20th anniversary," Takemura said. "But the Japanese Government has no specific plans on how to cooperate because we have yet to receive a request from the South Korean Government to hand necessary documents over to it," he said.

On August 8, 1973, Kim was kidnapped from a Tokyo hotel by a group of unidentified men and spirited to Seoul, apparently by sea. Shortly after being released in the streets of Seoul five days after his capture, the South Korean Government put him under house arrest.

Kim was released in October of that year when Japanese police discovered the fingerprints of a South Korean Embassy official in Tokyo at Hotel Grand Palace where Kim was abducted.

In November 1973, then South Korean Prime Minister Kim Chong-il visited Tokyo and apologized to the Japanese Government for the incident, which had chilled bilateral relations.

The Democratic Party reportedly sent an advance investigation team to Tokyo on Wednesday to get Japanese help.

In a recorded tape sent by Kim to KYODO NEWS SERVICE earlier this month, he expressed irritation that the truth of his kidnapping remains shrouded 20 years after it happened. He said in the tape that he hopes Hosokawa's new coalition government will investigate the case, which he called a "historical disgrace" for South Korea and Japan.

Kim said it is apparent from a testimony by the former chief of the then (South) Korean Central Intelligence Agency (KCIA) that then President Pak Chong-hui ordered his abduction from Tokyo. KCIA was later renamed the Agency for National Security Planning.

Kim retired from politics after he lost to Kim Yon-sam in the 1992 presidential race.

SDPJ Plans Early Convention To Elect Chairman

OW1908073893 Tokyo KYODO in English 0727 GMT 19 Aug 93

[Text] Tokyo, Aug. 19 KYODO—The Social Democratic Party (SDP) will hold its annual convention in late September, three months earlier than planned, to choose a new chairman, the SDP Central Executive Committee decided Thursday [19 August].

The new chairman would replace Sadao Yamahana, who offered to resign the post August 12 to atone for the party's electoral setback in the July 18 House of Representatives poll.

The SDP suffered a historic setback in the July vote, losing 64 of its 134 seats to 70 seats.

Yamahana, who is also state minister in charge of political reform, also said on August 12 that he would seek reelection after he resigns.

The committee decided on the earlier date for the convention, which was originally planned for December, to seek an early decision on who would take responsibility for the electoral setback, how such a move would be made, and to begin reconstruction of the party, SDP officials said.

The officials said the SDP may announce a schedule for the election for chairman in late August, accept candidates in early September, and hold the election in mid- or late-September, before the convention.

Yamahana is thought to be the only candidate and thus the de facto winner of the election, but some SDP members who oppose his reelection may put up rival candidates, they said.

At the convention, the SDP will elect new Central Executive Committee members and decide what reorganization is needed following the party's recent change of

status from an opposition party to the largest party of the coalition government, the officials said.

The party will hold a follow-up convention in January 1994 at the earliest to adopt policies of a new Central Executive Committee that has a two-year term, they said.

Yamahana became chairman in January and maneuvered the party into becoming one of seven in the coalition government of Prime Minister Morihiro Hosokawa. The new cabinet was inaugurated last week.

Meanwhile, 27 lower house members of the SDP seeking renewal of the party formed an as-yet-to-be named group Thursday. "We will do our best to rebuild the party," said Kozo Watanabe, one of the members.

The members, including Construction Minister Kozo Igarashi and SDP Diet Affairs Committee Chairman Tomiichi Murayama, named Koken Nosaka as temporary leader, Watanabe said.

The group urged the SDP to adhere to its policy on electoral system reform and insisted on the abolition of donations from companies and organizations to political parties and politicians, he said.

The group will cooperate with mainstream party members in the election for SDP chairman to be held in September, he said.

Takemura Views Deregulation, Political Reform

OW1908074793 Tokyo KYODO in English 0734 GMT 19 Aug 93

[Text] Tokyo, Aug. 19 KYODO—Prime Minister Morihiro Hosokawa's government will set annual targets for deregulation and push ahead with political reform, the top government spokesman said Thursday [19 August].

Chief Cabinet Secretary Masayoshi Takemura said, "Our government was born with the aim of implementing political reform in autumn, or to be more precise by the end of this year."

At a luncheon meeting at the Foreign Correspondents' Club of Japan, Takemura said, "Government cannot merely be a single-issue administration."

One of Hosokawa's closest allies, Takemura said the new government will set annual targets of deregulation and implement them in a bid to bring Japan out of the extended economic slump.

The former governor of Shiga Prefecture in central Honshu stressed the need for administrative reform featuring deregulation and decentralization of government. He said political reform should be achieved before the government pushes for sweeping administrative reform.

Hosokawa, also a former prefectural governor, has staked his political future on the success of getting on the statute books a set of political reform bills by year's end.

The bills are aimed at replacing the current multiseat electoral system with a system combining single-seat constituencies with proportional representation and eventually cleaning up Japan's "money politics."

Asked about unresolved differences among coalition partners over details of electoral changes, Takemura said it is sound to see a variety of debates within the seven-party union that toppled the Liberal Democratic Party from power for the first time in 38 years. But he also advised that coalition partners should follow their unified course once decisions are made.

Takemura expressed optimism that the ruling coalition would find common ground on the shape of electoral changes. "I am sure we can build consensus because we have few essential differences on the issue," he said. "What counts most is the current multiseat electoral system, a system uniquely Japanese."

Questioned about Hosokawa's policy address to be delivered on Monday, Takemura said the premier will only touch upon the new government's basic stance on political issues and will not unveil specific economic stimulus measures.

Chief Cabinet Secretary Takemura also said he would like a special committee excluding legislators set up under the electoral reform measures to automatically redraw single-seat constituencies once every 10 years. The idea is intended to reduce the disparity in the value of votes between densely and sparsely populated constituencies.

The ruling coalition plans to submit a set of political reform bills to an extraordinary Diet session expected to convene in early September.

The government appears to be leaning toward an electoral system under which 250 seats are allotted to single-seat districts and another 250 are decided by proportional representation, with voters casting separate ballots for the two divisions.

MOF Willingness To Change Questioned

932A0251A Tokyo ZAIKAI in Japanese 29 Jun 93 pp 122-125

[Article by Yujiro Yamamoto: "As Financial Deregulation Moves Forward, How Far Will the Restructuring of Finance Ministry Leadership Go?"]

[Text] *Financial circles are welcoming the "new approach to deregulation." Although complete deregulation of interest rates has been delayed until next June and reform of the financial system is genuinely moving forward, the Ministry of Finance's [MOF] administrative structure is, as ever, unwavering. Having reached what is being called the "plunge into a financial warring states period," how*

will the new financial map be drawn? We approached Mr. Yamamoto about this, including the issue of the Kamaishi Shinkin Bank resolved by the bank's dismantlement and liquidation.

The MOF Old Boy Network and the Shinkin Bank Industry

At its regular meeting on 25 May, the Central Cooperative Bank for Shinkin Banks (Central Shinkin Bank Cooperative) elected former MOF Banking Bureau director and special consultant to the Federation of Bankers Associations of Japan, Hoko Miyamoto, to the newly created post of executive director. Former Bank of Japan (BOJ) auditor Tadayoshi Funayama and former Central Shinkin Bank Cooperative managing director Yoshimitsu Takahashi were appointed as deputy managing directors.

The Central Shinkin Bank Cooperative, which is at the top of the shinkin bank organizational structure, is putting to work funds from the excess capital of credit associations and the issuance of bank debentures. It is creating trust subsidiaries and entering into the trust business in the midst of the current reform of Japan's financial system. The appointment of an executive director who, at the same time, is holding the top post as president of the Shichu Shinkin Bank, was done "in order to diversify business activities in keeping with financial deregulation and internationalization" (Isamu Yamaguchi, president of the Central Shinkin Bank Cooperative). It is common knowledge that the financial world is an ally of MOF in its enthusiastic measures for restructuring the shinkin bank industry.

As evidence, just prior to the appointment of executive director Miyamoto, headlines appeared in the newspapers, "Kamaishi Shinkin Bank Dismantled and Liquidated." MOF decided to dismantle the Kamaishi Trust bank, with its 230 million yen ordinary deficit for the March 1992 reporting period due to its lax approach to loans, waning regional fisheries production, and downsizing of Nippon Steel ironworks, and to transfer its business rights to local financial institutions such as the Iwate Bank, with the aim of liquidating the bank on 1 October.

At the time, MOF established a debt purchasing company and transferred the bank's nonperforming loans to it. Subsequently, it transferred to the Iwate bank, which inherited the main offices and six branches along with the employees, that portion which was excess debt and furnished Iwate with 20 billion yen from the deposit insurance system. There have been three instances of liquidation of shinkin banks since 1964. In addition to providing assistance from the deposit insurance system, MOF played a role in the acquisition of the Toho Sogo Bank by the Iyo Bank in 1992 and the absorption of the Toyo Credit Depository into the Sanwa Bank following its restructuring.

Although the deposit insurance system aims to make payments to depositors in bankrupt financial institutions, with financial institutions setting aside capital in proportion to total deposits, in those cases where financial institutions are rescued through mergers, the system can provide accumulated funds, advance loans, and buy up assets. Because there was strong resistance to the merger of the Kamaishi Shinkin Bank with the Iwate Bank, the transfer of operations as a means fitting for a merger set in motion the deposit insurance system.

One is led to say that this approaches the U.S. method for handling bankrupt financial institutions, that of P&A [procurement and assignment] (a method for taking over property and liabilities). In short, the Iwate Shinkin Bank matter was epochal in the sense that the time-honored MOF tradition of preventing a bankruptcy by forcing a failing institution to merge with another financial institution was not followed.

There are more than 430 shinkin banks in Japan, with eleven such banks having received low interest financing from the mutual assistance fund of the Central Shinkin Bank Cooperative when operations turned sour. Meanwhile, although there was one merger involving a shinkin bank in 1986, and one in 1989, there were three in 1990, seven in 1991, four in 1992, and three are scheduled for 1993.

In addition to serving as director of the Banking Bureau at MOF, executive director Miyamoto has also served as director of the regional finance bureaus for Tohoku, Kanto and Tokai and has a detailed knowledge of local shinkin banks in each of those regions. The sending in of Miyamoto to take the lead in the restructuring of shinkin banks in close coordination with MOF points to an "excessive bigwig old boy network in the shinkin banking industry."

Speaking of bigwigs, Masateru Yoshida, now Hyogo Bank president, is an MOF old boy and former director of the Financial System Information Center, director of the Banking Bureau, and BOJ governor (entering MOF one year after Mr. Miyamoto). In addition, former BOJ bank examiner Mr. Katsuhiko Oura, was appointed vice president, and former director of the Office of Financial Examinations in the Banking Bureau, Mr. Kunihiro Otsubo, was appointed managing director, thereby establishing an "MOF-BOJ administrative camp."

The Hyogo Bank carries more than 600 billion yen in nonbank affiliated nonperforming loans and for this March reporting period amortized 74.5 billion yen in abandoned loans and earmarked 20.8 billion yen in ordinary losses and 31.7 billion yen in losses after taxes. Mr. Minoru Yamada (retired at the end of June), who took on this project, is also a MOF old boy and talked in terms of turning over the reins because "the March 1994 reporting period will usher in black ink after taxes."

However, installing former Banking Bureau directors in the top slot at second-tier banks (formerly mutual savings banks) whose operations have soured is the exception. Although Mr. Yoshida says he is "to the last aiming for independent restructuring," the financial world is wholeheartedly of the opinion that the amortization of the nonperforming assets is "personal consolidation in preparation for a merger."

No Change in the "Design for Japan"

With total deposits at an average balance of 2.3 trillion yen by the end of March 1993—a more than 20 percent drop below the September 1992 figures, the amount of capital procured on the open market to compensate increased 400 billion to more than 800 billion yen. The reality is that the loan balance decreased more than 100 billion yen while, through the subrogation of loan repayments to nonbanks, primary loans shrank even more than that, a far cry from what the bank's original situation had been.

The opinion within local financial circles who followed closely the "ecological autopsy" of the Toyo Shinkin Bank is that "the Hyogo Bank can only follow the same path." In fact, although one is led to conclude regarding a transfer of talent to the Hyogo Bank by MOF that it refused to sound out city banks while the bank president Mr. Yoshida, who had abundant talent to draw on from financial circles, was counting on that talent to tell him how to lay on the necessary assistance, the difficulties in the early stages of decision making point to the need for an emergency mechanism such as special funding from the BOJ in order to avoid bankruptcy.

An example of talent transfer from MOF and the BOJ to financial institutions in the middle of operational restructuring is the case of the Taiheiyoko Bank. The bank faced an operational crisis over a huge total of nonperforming assets in the era of the Daiichi Sogo Bank. MOF and BOJ old boys assumed the offices of bank president and vice-president, Sakura Bank dispatched its president, the BOJ provided loans at an unprecedented low interest rate. Although recovery was achieved, the bank did suffer more than two billion yen in ordinary losses for the March 1993 reporting period (the preceding year it had seen a profit of 1.9 billion yen).

This is the result of amortizing 23.2 billion yen of real estate related nonperforming debt and indicates a doubling to one billion yen of net business profits for the interim period over the preceding one. However, ordinary and current profits are expected to be zero for the reporting period ending March 1994, demonstrating that the path toward restructuring will still be harsh.

Financial institutions that by this point had reached their operational limits were handled by absorptions and mergers with city banks and other financial institutions. Behind this was traditional MOF bank administrative policy that "financial institutions cannot be permitted to go bankrupt." The acquiring side, in the midst of a fierce

struggle for market share, gained the advantage of "strengthening its network of branch offices."

Nonetheless, at the stage where the collapse of the bubble economy joined the progress being made toward financial deregulation, the situation changed. The emphasis on competition among financial institutions shifted to "quality over quantity," and despite the fact this was the demand of MOF, the absorption of financial institutions whose operations had soured became more difficult.

The absorption of Toho Sogo Bank by Iyo Bank and the acquisition and merger of the Toyo Shinkin bank by Sanwa upon its dissolution was realized by attaching an incentive in the form of a "donation from the deposit insurance system." And, because the deposit insurance system could not be used as an incentive, bankruptcy was barely avoided in the disposition of the Kamaishi Shinkin Bank through the transfer of operating rights (the Kamaishi Shinkin Bank dissolution).

Deposit insurance is something that is accumulated by financial institutions in keeping with their total deposits in order to pay back depositors (a limit of 10 million yen per individual) should a financial institution go bankrupt. Liability reserves for deposit insurance stood at 170.6 billion yen at the end of March 1993. The use of these assets to rescue a financial institution is not a bad thing, but there will be limits to their use in the future in the case of financial institutions who continue having operational crises. Due to suspicions that the reckless financing conducted by the Kamaishi Trust Bank may have been in violation of the law, the issue becomes one in which the depositor must bear the burden resulting from the rescue of a financial institution having disorderly operations.

Despite the extraordinary example of the Toyo Shinkin Bank which was unable to continue operations due to the issuance of fictitious certificates of deposit on the part of one branch manager, there are nonperforming loans that deviate from public interest for financial institutions in an operational crisis, and they share in common the fact that they weaken the confidence of depositors and stockholders markedly. However great the impact of failed management at a financial institution and complex the business of redeeming deposits, is it not a problem that financial institutions get more liberal administrative protection than ordinary companies?

Protective administrative guidance makes responsibility ambiguous and intensifies for the business world a sense of dependency on the bureaucracy. Meanwhile, there is the fear that, because administrative guidance stresses intervention in the business world and enhances the remedial relationship, rationalization and efficiency within the business world to bring about effective competition will be hindered, but with the collapse of the bubble economy and the process of recovery, "Japan's game plan" has not changed one iota.

The nonperforming loans of 21 city, long-term credit and trust banks for the reporting period ending this March

reached a total of 12,774 billion yen, an increase of just under 500 billion yen over the figures reported in September 1992 (excluding interest reductions to non-banks). Here was strong leadership on the part of MOF and the BOJ to induce an increase in the net profits of financial institutions through a policy of lower interest rates on procured funds and by establishing a mechanism for buying up real estate securing this nonperforming debt.

Furthermore, despite the cynicism that the PKO [price-keeping operation] was really the PLO [price-lifting operation], the aim was to prevent a deterioration of net worth ratios in the banking industry through the creation of exceptions to bank and insurance company accounting standards, through MOF's urging the ministries of Posts and Telecommunications and Health and Welfare to drive up stock prices by aggressively investing public funds such as postal savings and pension reserve funds in the stock market, by maintaining latent profits of bank stock portfolios, and, finally, by putting restraints on loans. It is undeniable that this effort moderated the sense of crisis over financial unease and is the major reason for more or less opening up the clear prospect of a good direction in the business climate.

However, the policy of a public and open price of stock announces to the world that Japan's stock market is a "government controlled market," something unseen in other advanced nations. It brought, ironically, a surge in investments in Japanese stocks by foreigners with a resulting "peace of mind for buying." Whereupon, MOF Securities Bureau hurriedly reassessed the "Japanese style stock pricing" which led to the collapse of the bubble economy.

Although the basis for Japanese stock price formation rests with the cross share holding between related companies (including financial institutions), the bureau views this as "the wisdom of Japanese style operations which emphasize transactional relationships more than dividend income." And, it argues that increased stock prices bring beneficial results for all concerned, meaning tax income for the government, profits from higher prices for investors, and favorable equity financing for business.

MOF stresses these benefits together with the fact that the ratio of income to investment in stocks in terms of results over the past five years has at its worst still been in the plus column, maintaining an average of 17 to 18 percent in gains according to studies (Japan Securities Economics Research Institute).

Incidentally, the financial industry is in the starting blocks for a "new position on deregulation" in two ways. First, interest rates on fixed-term deposits will be completely deregulated on 21 June, and, second, as the opening round of financial system reform, securities subsidiaries of long-term credit banks will be permitted beginning in June.

Will the Shoulder-to-Shoulder Order Crumble?

Interest rates on fixed-term deposits are already 70 percent deregulated, and in the future the "super MMC" in amounts less than thirty million yen and whose interest rates vary with the market will be abolished. Distinctions will be made in the interest rates on super certificates at the thirty million yen boundary. The certificates with fixed maturity dates will be established at lower interest rates than for the super certificate. Furthermore, the interest rate on fixed savings amounts for postal savings, heretofore moving in step with the official discount rate, will move in concert with the interest rates on government bonds and super period certificates and will move toward the period established by the banks.

Although interest levels are at an historic low and depositor concerns now come first, there is no mistaking that MOF is holding back on the deregulation of interest rates on liquid deposits and that financial institutions are being pressed to become more efficient.

Although in the March 1993 reporting period the operational differential among financial institutions expanded for all institutions, it was spurred on by the deregulation of interest rates with the possibility great that the "shoulder-to-shoulder order of things" we've had up to now will crumble.

With reform of the financial system based on the relevant laws enacted in April, banks, securities firms and trusts are entering other business areas through subsidiaries.

But MOF, which takes "order" seriously, is excluding stock brokerage for banks on their entry into the securities business and has adopted a one year moratorium on the entry of city banks into other business areas (instead it recognizes the investment trust business). And it says little that is attractive when speaking of entry into other business areas.

To be noted regarding this is the subsidiary of the Industrial Bank of Japan which has received first-stage approval. "Industrial Bank Securities," which has a starting capital of 30 billion yen and 120 employees, will make inroads into the territory of the leading securities firms, with MOF target of its succeeding in "breaking even within three years" seen as difficult. The Industrial Bank is seen as strengthening its position considerably as an industrial financial institution.

MOF position will increase the liquidity of corporate bonds, will develop the corporate bond market, and will contribute to increasing the investment value of corporate bonds, but on the other hand it cannot permit a weakening of city banks as it urges "conversion of funds into securities." MOF will incorporate a preferential mechanism within the current approach to system reform for transforming the three long-term credit banks and the Bank of Tokyo into ordinary banks. And the

trend represented by Industrial Bank Securities will likely make stand out one section of the "new financial plan" written by MOF.

Thus, with progress toward "financial deregulation," the financial world has plunged into a kind of warring states period. With the March 1993 reporting period city banks reported major differences in total nonperforming loans, with drastic changes in operational rankings in such categories as net business profits, interest rate spreads and income ratios while rumors of consolidation and merger under the principal of survival of the fittest are spreading among regional financial institutions such as regional and shinkin banks.

Financial institutions are working to restructure through downsizing, by giving employees incentives to resign, by consolidating branches, and by rationalizing placement of personnel. In that context, uneasiness over the progress of deregulation has come to the fore. However, even as they are hit by the cold winds of deregulation, they feel comfortable with MOF's protective policies.

Regarding postal savings which the financial world irrevocably loathes as "oppressive to private business," the naked view to be heard inside MOF is that financial institutions would suffer a major blow if postal savings were privatized and earnestly pushed toward efficient operations.

The predisposition of the financial world, which is used to the "convoy" system, is to seek administrative intervention to the degree it advances the deregulation of interest rates and lowers barriers to business, and this is the wish of MOF.

However, there are places where financial institutions do not want to be at the mercy of administrative guidance. At the influential Tokyo Sowa Bank, a leading second-tier regional bank, Shoichi Nagata, a managing director who had risen through the ranks, ousted the previous president, who was a BOJ alumnus, and became president himself. He also appointed his eldest son, who at forty years of age was the youngest managing director, to the post of senior managing director.

Although the bank had been repeatedly welcoming company presidents from MOF, the BOJ, and city banks over the past 18 years, it probably was able to do what it did because it has no weaknesses in terms of administrative guidance.

Investment Advisers Eye Foreign Pension Funds

932A0285A Tokyo GINKO JIHYO in Japanese Jul 93 pp 44-45

[Article by Kunio Yamaguchi]

[Text] *Investment advisers affiliated with city and long-term credit banks have their eyes turned fondly toward the foreign pension fund market. In addition to anticipating an increase in business opportunities based on increased*

investment in Japanese stocks, increasing the volume of both foreign and domestic pension fund based assets in order to guarantee operational stability has become the very urgent topic. Although the leading firms have various distinctive ways in which they are grappling with this, common to all is the strength of their enthusiasm for pension fund business.

U.S. Pension Funds the Target of Interest

"We would like as quickly as possible to be holding up to fifty percent of our trust assets in pension funds." This is what Sakura investment adviser and managing director Tomonari Kakida, who has achieved the top results among domestic pension fund trusts (19 funds), emphasizes.

A heightened desire for pension fund business is common to every leading investment advisory firm. This topic, held from a management view point, is encapsulated in Mr. Kakida's comments, but at the same time what they fondly have their eyes on is the foreign pension fund market.

In particular, the target of interest is U.S. pension funds. At the end of 1992 their total working capital was more than 360 trillion yen (\$3.425 trillion). The scope of these assets in themselves is certainly attractive and when all is said and done the rapid expansion of investment overseas is almost a certainty for the future.

"The total overseas investments of U.S. pension funds has expanded three times in five years to \$430 billion." This is the most recent estimate of the leading U.S. pension consultant firm, Intersec [as transliterated]. The outline of their report is as follows.

Pension funds constitute 4.6 percent of the entire total of assets invested overseas and 77 percent of that, or \$117 billion, are in stocks. The report indicates that overseas investment by U.S. pension funds grew at an average of 25 percent annually over the past five years. Even if the growth ratio over the next five years were to average only 23 percent, they calculate that by the end of 1997 the total would reach \$430 billion.

At this point, the overseas investment ratio will be 9.7 percent. The margin of growth at 5 points is not so big, but in terms of the asset base an enormous quantity of funds will be directed overseas. Of course, the largest portion will be the transfer of funds to Japan and the ratio for Japan in the overseas investment total will be thirty percent.

In terms of timing, with U.S. stocks in the range of their historical high, Japanese stocks have just extricated themselves from their historical low. Whether or not Japan's is an absolute bull market remains to be seen, still it is clear that Japanese stocks are relatively cheap by comparison.

That said, it is a fitting turn of events that the expectations of investment advisers affiliated with leading banks

toward foreign pension funds have heightened. The movement to get groups looking for overseas pension trusts is increasingly brisk.

Taking the lead among bank affiliates is the Industrial Bank NW Asset Management which already has in custody of 4 overseas pension funds (about 30 billion yen). Furthermore, the Industrial Bank's locally chartered IBJ International (London) and IBJ Schroeder [as transliterated] (New York) boast holding 11 trust accounts European and American pension funds (about \$10 billion).

However, in terms of investment advising itself, we are at the stage where "activity will be centered in the U.S. from this point on" (Toshimasa Okano, board member and head of the business department). The current trust division does not have any U.S. pension funds. Although the bank is maintaining a Schroeder IBJ investment advisory department in operational status, the situation calls for responding with business trips from Tokyo. "The key topic is creating a marketing position in the United States" (Mr. Okano).

Among city bank affiliates, the activities of Fuji Bank Investment Advisers have drawn attention. This is because in October 1989 it succeeded in capturing a pension fund from America's National Steel Corp. amounting to \$10 million (the trust organization being Fuji Bank New York Ltd.'s Fuji Banking and Trust). This, together with a pension fund (ten million pounds) from a regional government in Enland, represent current real results.

Hurrying to create a structure overseas, the bank established the London chartered Fuji Investment Management Company (FIMCO) in June of last year. Fuji Bank is moving to transfer its pension fund business from its locally established firm of FIF London. "In order to establish a significant position in terms of fund operations and marketing, the last step will be preparation for full-scale operations" (director of the planning department, Shunji Miyamoto).

FIMCO has fielded a team of fifteen people. Fuji Banking and Trust is establishing a position in the United States with the idea that it "will develop a three pronged approach to the pension fund business centering on Japan, the United States, and Europe" (Mr. Miyamoto).

In the case of Sakura Investment Advising, it is considering such things as incorporating locally, that is, setting up a branch in the United States, and strengthening the functions of Sakura Trust, which is Sakura Bank's local subsidiary, but its desires are apparent, "we want to dispatch employees to the United States within the year for the long-term and to conduct local research" (managing director Kakida).

The prerequisites for a pension fund trust in the United States are to create a track record and to establish an

investment style. As with the leading investment advisory companies, this preparatory work cannot be neglected.

Support For Operational Consideration

Here it is once again necessary to return to the comment at the head of the article. The fact is, even for investment advisers who obtain first rate results in the domestic and foreign pension trust markets, the share of pension funds as a part of the entire amount of trust funds is limited to about ten percent

What is the significance of this number? Commission income for investment advisers is generally about 0.3 percent of the trust assets in the case of trust accounts. Among city and long-term bank affiliates, Industrial Bank NW Asset Management Company has the largest total of trust assets with over 600 billion yen, and compensation of approximately 1.8 billion yen.

However, even saying that the stock market has recovered, "the damage from the explosive drop in stock prices is still considerable" (leading investment adviser with a leading securities firm). Tokkin [funds in trust] contracts, which were the power behind the rapid expansion of trust fund totals, are being cancelled one after another like the spring rains, and some of them are not paying the investment adviser fees. In fact, the basis for income has been completely stymied in the case of the small investment adviser firm.

Although there is a degree of difference, the situation faced by the leading investment advisers is the same in that the operating environment is not rosy. In particular, we hear gushing forth the revealing voices of bank affiliated investment advisers saying, "We were awakened to the instability of the Tokkin contracts in the crisis following the explosive drop in the stock market."

On the contrary, the basic posture for pension fund assets is the long term. It is appropriate for the trust institution to consider the character of the fund, and, the reality is that the assets are long-term.

To begin with, without exception the biggest aim of city and long-term credit banks in establishing investment advisory companies is to "make entry into the pension fund market." With guarantees of operational stability paramount, the importance of the pension fund business has steadily grown.

As of this April, a full three years have passed since the door to the domestic commercial pension fund market opened. On 25 March a special subcommittee of the Committee on Asset Application of the Pension Fund Association proposed relief regarding system constraints in terms of trusts and application of capital (trust objectives include funds in excess of eight years after their establishment and guaranteeing more than fifty percent of the original capital) which have been the bane of

investment advisers. The committee will continue clarifying the environment encompassing the business world through this system aspect.

The circumstances which will bring increasingly greater importance to the domestic as well as foreign pension fund market exist now. Although the improvement in fund applicability is an absolutely indispensable condition, those officials familiar with the pension fund situation in detail at the leading securities firms predict that, "If bank affiliated investment adviser companies make their entry in earnest, they will be formidable rivals."

The appearance of a strategy by investment advisers affiliated with city and long-term credit banks for global pension fund business is still off in the future.

EPA Report: Economy Remains 'Sluggish'

*OW2008005593 Tokyo KYODO in English 0047 GMT
20 Aug 93*

[Text] Tokyo, Aug. 20 KYODO—The Japanese economy remains generally sluggish and signs of pickup seem to have stopped spreading, the Economic Planning Agency (EPA) said in its monthly report Friday [20 August].

The signs of recovery, which the agency has mentioned in its report for the past several months, are still observed, said an EPA official. "But such signs are unlikely to lead to a full-scale recovery soon. The agency has not changed its judgment that the economy has cleared the worst period, but we can make no guess as to the future economic course because the impact of the yen's rise—which can be various—is difficult to foresee," he said.

According to the EPA report, personal consumption remains lackluster, with sales actually dropping at department stores, supermarkets and chain stores.

The cool summer has harmed sales of summer clothing, air conditioners and spending on summer-vacation travels, the report noted.

The report said corporate capital spending is still dismal, particularly in the manufacturing sector, and industrial output has flattened out despite some progress in inventory adjustment.

Favorable signs are seen in housing starts and public works investment, but corporate sentiment has stopped improving, reflecting the continued drop in corporate profits, the report said.

The yen's rise has slashed Japan's current account surplus in yen terms compared with a year-earlier level, although in dollar terms it has increased, the report said.

The EPA official said the impact of a stronger yen will take some time to visibly affect the nation's industrial

output or exports. But it will quickly hinder business sentiment and delay recovery in their spending on plant and equipment, he added.

Asked about the government projection made earlier that the economy will improve in the second half of the current fiscal year, the official said the situation is serious and "steady implementation of political support is necessary," referring to a pump-priming package adopted in April.

EPA Director Kubota Comments

*OW2008051193 Tokyo KYODO in English 0442 GMT
20 Aug 93*

[Text] Tokyo, Aug. 20 KYODO—The Economic Planning Agency (EPA) on Friday [20 August] revised its initial judgment that the nation's economy has bottomed out of the current downturn.

Manae Kubota, director general of EPA, said the agency now has "a more severe perception" about economic conditions. She made the comment at a scheduled news conference after the day's cabinet meeting, where she submitted the agency's monthly report on the state of economy. The report said signs of economic recovery seem to have stopped spreading.

In June, Hajime Funada, then EPA director general, declared the economy has bottomed out.

Asked if her judgment nullifies that of the earlier declaration, Kubota said, "there have been (new) factors like the cool summer with a lot of rain and rapid appreciation of the yen against the dollar since June." She said her assessment should be regarded a revision of Funada's reckoning.

Cabinet Begins Economy Restructuring Preparations

*OW2008120793 Tokyo KYODO in English 1144 GMT
20 Aug 93*

[Text] Tokyo, Aug. 20 KYODO—The cabinet of Prime Minister Morihiro Hosokawa has begun preparations for restructuring Japan's economy with an emphasis on deregulation, government officials said Friday [20 August].

The officials said an advisory panel made up of academics will be formed to work out what is referred to as the "new Maekawa Report" on economic reforms. The proposed report will be an updated version of the Maekawa Report unveiled in the spring of 1986 by a panel headed by former Bank of Japan Governor Haruo Maekawa.

The officials said the new report called The Guideline for Structural Adjustment will focus on removal and relaxation of regulations to ensure Japan's economic expansion led by domestic demand. It also is aimed at

reducing Japan's snowballing external trade surplus, which is expected to top 150 billion dollars this year, the officials said.

Prime Minister Hosokawa plans to seek advice on the undertaking from Isamu Miyazaki, head of the Daiwa Institute of Research, who helped Maekawa compile the report, the officials said.

Members of the Hosokawa cabinet consider the spirit of the Maekawa report still alive and say failure to implement proposed deregulation is causing Japan's huge trade surplus, they said. The officials said the new report will lay down a medium-term program for decontrols to provide wider market access to foreign companies and establish a new economic system beneficial to consumers.

The panel will probe measures to stimulate domestic demand through the effective use of public funds and rearrangement of appropriations for public works projects to put emphasis on improvement of the social infrastructure, they said.

Government Economic Advisory Council Planned

*OW2008043993 Tokyo KYODO in English 0428 GMT
20 Aug 93*

[Text] Tokyo, Aug. 20 KYODO—A government advisory council composed of private-sector experts will be set up soon to work out basic guidelines for reforming Japan's economic structure, government officials said Friday [20 August]. The guidelines, containing measures to reduce Japan's huge current account surplus, will be prepared for the coalition government of Prime Minister Morihiro Hosokawa, the officials said.

The council is expected to start discussions on the new "Maekawa report," containing the guidelines, in late September and complete it before the end of the year, the officials said.

The "Maekawa report," named after former Bank of Japan Gov. Haruo Maekawa, was formulated in 1986 under the administration of Prime Minister Yasuhiro Nakasone to promote Japan's economic restructuring. The new package is expected to make medium- and long-range proposals on industry deregulation, consumer-oriented economic policies, expansion of the social infrastructure and other measures.

Official: Budget Requests Total 75 Trillion Yen

*OW1908122793 Tokyo KYODO in English 1212 GMT
19 Aug 93*

[Text] Tokyo, Aug. 19 KYODO—Spending requests by government ministries and agencies for the general account budget for fiscal 1994 from next April will total around 75 trillion yen, up only 4 percent from the initial fiscal 1993 budget, a Finance Ministry official said Thursday [19 August]. The growth compares with a 7.2 percent gain in the budget requests for fiscal 1993.

The slack growth in next year's spending requests reflects reduced tax revenues amid the protracted economic slump and a smaller expansion of the ceiling on the year's general expenditures, set earlier by the government.

In view of the tight fiscal state of the government's coffers, the Finance Ministry will eventually curb budget requests for fiscal 1994, which will be accepted by the end of August, to around 72 trillion yen, the official said.

Of the requests, those for general expenditures to carry out policy measures will amount to 41.45 trillion yen, up 3.8 percent. The sum is equal to a ceiling on the spending category endorsed by the cabinet on August 13.

Tax allocations to local governments for fiscal 1994 will total only around 16 trillion yen, short of the 17.7 trillion yen envisaged for the year in the Finance Ministry's outlook for fiscal 1992-1996, a major guideline for its fiscal policy management.

The amount of tax grants to local governments for a year usually matches the aggregate of 32 percent of corporate and liquor taxes, 24 percent of consumption tax and 25 percent of tobacco tax. In fiscal 1994, however, revenues from corporate and income taxes are expected to drop sharply.

Moreover, a large tax revenue shortfall in fiscal 1992 which ended in March this year caused overpayments of 1.04 trillion yen in tax allocations to local governments, necessitating the government to make up for the gap in the initial fiscal 1994 budget.

Outlays for national debt servicing will total 16.67 trillion yen, up about 1.2 trillion yen from the original fiscal 1993 budget, the official said.

The sum will include 11.18 trillion yen in interest payments and 3.1 trillion yen to be shifted into the ministry's debt consolidation fund.

The outstanding balance of government bonds is expected to stand at a massive 184 trillion yen at the end of fiscal 1993.

Debt-servicing spending is one of the two categories of obligatory expenses, along with tax grants to local governments, accounting for about 20 percent of total general account spending.

For allocations to a budget quota for public works projects intended to be financed by revenues from sales of government-held Nippon Telegraph and Telephone Corp. (NTT) shares, the Finance Ministry will earmark 1.3 trillion yen as in the past.

The government has frozen sales of NTT shares from its holdings in fiscal 1992 and fiscal 1993. If the freeze continues in fiscal 1994, projects in the budget quota will be financed by issuance of construction bonds.

North Korea

Commentary on Seoul's Announcement on Team Spirit

SK2008051893 Pyongyang Korean Central
Broadcasting Network in Korean 1150 GMT 19 Aug 93

[Commentary by Chong Pong-kil: "Why have they spread rumors?"]

[Text] South Korea's Munhwa Broadcasting Corporation reported on 5 August that the United States and South Korea had decided, during their annual policy deliberation committee meeting held at the U.S. Pacific Command headquarters, to continue the Team Spirit joint military exercise next year. However, the U.S. side has notified us that the South Korean report is not true. Furthermore, the U.S. State Department has officially stated that no decision has been made about the Team Spirit military exercises.

If what the United States said in its notification and official statement were true, the whole episode is truly weird.

At a time when the U.S. side, which has the right to decide on the resumption of the Team Spirit joint military exercises, has said that no decision had been made about the exercise, South Korea presumptuously spreads rumors. This is why the whole episode is weird.

A DPRK Foreign Ministry spokesman disclosed this in answering a reporter's question. He also commented that it was ridiculous. This comment is natural. However, it is not something to laugh off. The South Korean authorities mobilized a media organization in spreading the rumors that the United States and South Korea had decided to continue the Team Spirit joint military exercise next year. Their vicious disposition has been disclosed in this episode. It has been shown that the South Korean authorities are very anxious to continue the Team Spirit joint military exercise with outside forces next year; this is because, being so eager to continue this military exercise, although they are colonial running dogs, they committed such an impudent act.

As known, the Team Spirit joint military exercise, a preliminary war and test nuclear war for northward aggression, is incompatible with dialogue and peace. It is also a game of fire for war [chonjaengbuljangnan] that is not beneficial to our fellow countrymen at all but allows outside forces to gain profits as a third party. It would be enough to prove this simply by recalling the fact that the Team Spirit joint military exercise conducted this year has completely suspended the implementation of the North-South agreement and North-South dialogue and brought the situation to the brink of war.

Nevertheless, the present South Korean regime not only staged the Team Spirit 93 joint military exercise this year, but is also attempting to stage it again next year. Even now the South Korean regime is staging, together

with the United States a joint nuclear war exercise codenamed Ulchi Focus Lens 93 in South Korea. And yet, the South Korean regime is clamoring as if it had the will to solve problems through dialogue with us. So, who can trust its advertisement?

Although it uses the signboard of a civilian regime, the present South Korean regime is not different at all from the previous military dictatorial regimes in its bellicose nature. Challenging the nation's aspiration, the South Korean regime is dashing toward the road of confrontation and war, a more dangerous road than the road of confrontation and war the previous regimes sought.

There is also another dirty and insidious aim in the South Korean authorities' attempt to spread the rumor on resuming the Team Spirit military exercise. It is the aim to disturb the DPRK-U.S. talks after being confused by the progress in the talks.

The results of the DPRK-U.S. talks, progressive and productive ones, which were held to discuss principled problems on an equal footing, have evoked support and welcome from the broad international public opinion which wants the nuclear issue on the Korean peninsula to be solved at the source.

If and when the nuclear issue and the pending issues between the DPRK and the United States are resolved through the DPRK-U.S. talks, it will be a good thing, not a bad thing, in view of the nation's interest. This notwithstanding, the South Korean regime is employing all sorts of vicious maneuvers in a bid to throw a wet blanket over the talks, but is also going so far as to spread the rumor. This is indeed a perverted disposition.

This shows that the South Korean regime is not interested in the denuclearization of the Korean peninsula nor is it interested in the nation's interests and that it has a vicious intention to harm us in collusion with outside forces.

The South Korean authorities should act discreetly. As the spokesman of the DPRK Foreign Ministry declared, we will keenly watch the Team Spirit military exercise in the future, too, and if even a slightest move is made to resume the exercise we will take an appropriate measure against it.

KCNA Reports U.S. Ulchi Focus Lens Exercise
SK2008051393 Pyongyang KCNA in English 0420
GMT 20 Aug 93

[Text] Pyongyang, August 20 (KCNA)—The U.S. imperialists and the South Korean authorities are rendering the situation of the Korean peninsula strained by escalating the adventurous "Ulchi Focus Lens" joint nuclear war exercises, according to military sources.

On August 17 and 18 scores of FA-18 pursuit-assault planes from the extra large carrier "Independence" staged a joint air strike exercise simulating a forestalling attack on inland targets of the northern half of Korea

together with some 350 planes of the U.S. Air Force stationed in South Korea and the South Korean puppet air force with the support of an electronic jamming plane in the skies above the Asan Bay, Oeyon Islet and Tokchok Islet.

Formations of large transport planes based at the continental U.S. and the Pacific airlifted a large strength and combat equipment to the U.S. Air Force bases in South Korea for the military exercises on August 17.

On the same day, Blue Ridge, the U.S. 7th Fleet flag ship and command ship of a landing force, sailed into the sea off Chinhae, South Korea, and joined in a sea operation within the framework of the "Ulchi Focus Lens" exercises.

Reunification Committee on Ulchi Exercise

SK2008051693 Pyongyang KCNA in English 0430
GMT 20 Aug 93

[Text] Pyongyang, August 20 (KCNA)—The Committee for the Peaceful Reunification of the Fatherland in its information No. 635 Thursday [19 August] warned that the South Korean authorities will be held wholly responsible for all the consequences to be entailed by their "Ulchi Focus Lens" joint military exercise.

The information says:

"The war game is an extremely dangerous preliminary war, an all-out test nuclear war aimed at examining the feasibility of a joint operational plan of a surprise preemptive strike at the northern half of Korea and rounding it off. This is a grave challenge to the whole nation who want peace and reunification of the country.

"The large-scale nuclear war exercise started by the South Korean authorities with the mobilization of huge foreign aggression forces is a deliberate move to aggravate North-South relations so that North-South dialogue may not be resumed.

"If the South Korean rulers truly want a solution of the nuclear problem on the Korean peninsula and aspire after peace and peaceful reunification, they should not stage nuclear war exercises like 'Ulchi Focus Lens,' taking into consideration the precedent of the North-South dialogue which was suspended due to war exercises.

"Our people will not waver however desperately the United States and the South Korean bellicose elements may try to cow us into submission, threatening us by means of nuclear attack, but more decisively counter the adventurous military provocations with a heightened vigilance.

Daily: 'Western Media' Spreads 'False Reports'

*SK2008053693 Pyongyang KCNA in English 0450
GMT 20 Aug 93*

[“False Propaganda”—KCNA headline]

[Text] Pyongyang, August 20 (KCNA)—Western media are persistently spreading false reports about the non-existent “nuclear problem” of the Democratic People’s Republic of Korea. This comes under fire in NODONG SINMUN today.

A German weekly recently said “North Korea’s nuclear development program is the biggest cause of confrontation in the Asia-Pacific region.” And the U.S. paper INTERNATIONAL HERALD TRIBUNE said North Korea’s possession of nuclear weapons will cause a strategic disturbance in this region.

The analyst says:

Even today when two rounds of DPRK-U.S. talks were held and the sides intend to have further negotiations, some media of Western countries are deliberately misrepresenting the situation, raising a hue and cry over the DPRK’s “nuclear threat.” This is a despicable trick to impede the progress of the DPRK-U.S. talks.

Dishonest quarters of the Western countries are attempting to lay the blame for the instability in the Asia-Pacific region at the door of the DPRK through false reports and cover up its real factor.

As for the factor of the instability of this region, it is not the fictitious “nuclear development” by the DPRK but the imperialists’ aggressive and belligerent moves.

They threaten the nations in the Asia-Pacific region after massing many nuclear weapons and troops in this region including South Korea.

The South Korean authorities have fostered confrontation with the North and staged war exercises in league with outside forces.

Japan has become dangerous forces seeking a war in Asia-Pacific region. It is trying hard to become a military power, a nuclear power.

All these facts clearly show what is the factor of the instability in this region.

The Western reports alleging that the fictitious “nuclear development” by the DPRK is the “factor of instability of the situation” in the Asia-Pacific region are part of the schemes to put a “collective pressure” on and take “sanctions” against the DPRK under this pretext.

If peace and security are to be ensured in the Asia-Pacific region, the imperialists’ policy of military occupation and their nuclear blackmail must be discontinued for good and Japan’s moves to become a military power armed with nuclear weapons be checked.

PRC Ambassador Pays Farewell Visits to Leaders**To Yang Hyong-sop**

*SK2008022493 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 19 Aug 93*

[Text] Yang Hyong-sop, chairman of the Supreme People’s Assembly, met and conversed with Zheng Yi, PRC ambassador to our country, who paid a farewell visit to him, at Mansudae Assembly Hall on 19 August.

To Kang Song-san

*SK2008022793 Pyongyang Korean Central
Broadcasting Network in Korean 1500 GMT 19 Aug 93*

[Text] Kang Song-san, premier of the State Administration Council, met and conversed with Zheng Yi, PRC ambassador to our country, who paid a farewell visit to him, on 19 August. Cha Pong-chu, vice foreign minister, was present at the meeting.

To Choe Tae-pok

*SK2008023093 Pyongyang Korean Central
Broadcasting Network in Korean 1500 GMT 19 Aug 93*

[Text] Comrade Choe Tae-pok, member of the Political Bureau of the Workers Party [WPK] of Korea Central Committee and secretary of the party Central Committee, met and conversed with Zheng Yi, PRC ambassador to our country, who paid a farewell visit to him, on 19 August. Kim Yang-kon, vice director of a department of the WPK Central Committee, was present at the meeting.

Choe Tae-pok Meets Italian Political Group

*SK2008053493 Pyongyang KCNA in English 0432
GMT 20 Aug 93*

[Text] Pyongyang, August 20 (KCNA)—Choe Tae-pok, alternate Politburo member and secretary of the Central Committee [C.C.] of the Workers’ Party of Korea [WPK], met and had a friendly talk Thursday [19 August] with a delegation of the Movement for Peace and Socialism of Italy led by Gianandrea de Angelis Stefano, director of the organisational department.

On hand was vice-director of a department of the C.C., WPK Kim Hyong-u.

Korea-Italy Amity Group Hosts Italian Visitors

*SK2008053393 Pyongyang KCNA in English 0434
GMT 20 Aug 93*

[Text] Pyongyang, August 20 (KCNA)—The Korea-Italy Friendship Association had a friendship gathering with the members of the Italian Committee for Reunification and Peace of Korea, on a visit to Korea Thursday [19 August].

Invited to the gathering were Giulia Cataldi, representative of the committee, and its members and officials from various regional committees.

Present there were Han Son-kuk, vice-chairman of the Korean Society for Cultural Relations With Foreign Countries and vice-chairman of the Korea-Italy Friendship Association, and officials of the society.

The participants deepened feelings of friendship, discussing practical matters of strengthening cooperation between the friendship organisations of the two countries.

Kim Yong-nam Cables Sri Lankan Foreign Minister

*SK2008104793 Pyongyang KCNA in English 1018
GMT 20 Aug 93*

[Text] Pyongyang, August 20 (KCNA)—Foreign Minister Kim Yong-nam sent a message of greetings to A.C.S. Hameed upon his reappointment as foreign minister of the Democratic Socialist Republic of Sri Lanka. Expressing the belief that the friendly relations between Korea and Sri Lanka would develop further still in conformity with the common desire of the two peoples he wished the latter great success in his responsible work.

African Leaders Give Impressions of Visit

Mozambican Premier's Comments

*SK2008104493 Pyongyang KCNA in English 1006
GMT 20 Aug 93*

[Text] Pyongyang, August 20 (KCNA)—Mario Fernandes da Graca Machungo, prime minister of Mozambique, who had participated in the celebrations of the 40th anniversary of the victory of the Korean people in the Fatherland Liberation War, gave his impressions of Korea when he met the Korean ambassador on August 6.

He said that through the celebrations of the 40th war victory anniversary he clearly saw the might of the Korean people united closely around the great leader President Kim Il-song and the dear leader Comrade Kim Chong-il and the invincibility of socialism in Korea.

"We will develop friendly and cooperative relations with the DPRK in many fields," he stated.

He expressed the belief that Korea would be reunified by the confederacy formula in the near future and evinced full support to all the proposals of the DPRK for reunification.

Zambian Vice President's Notes

*SK2008104593 Pyongyang KCNA in English 1008
GMT 20 Aug 93*

[Text] Pyongyang, August 20 (KCNA)—L.P. Mwana-wasa, vice-president of Zambia, when interviewed by

reporters about his Korean visit, said that what impressed him most during his visit to the DPRK was that the Korean people were a very disciplined and industrious people.

Saying that the Korean people were devotedly struggling with high consciousness to accomplish their cause, he called for following the discipline and fighting spirit of the Korean people.

Symposium Focuses on Korean War Monument

*SK2008053893 Pyongyang KCNA in English 0457
GMT 20 Aug 93*

[Text] Pyongyang, August 20 (KCNA)—A symposium of the chuche-oriented literary and art idea on the monument to the victory in the Fatherland Liberation War was held here Thursday [19 August].

The speakers said the monument to the war victory is another successful masterpiece worthy of special record in the development of the art of revolutionary monuments of Korea as a new-type monument crystallizing the immortal feats performed by the great leader President Kim Il-song and the dear leader Comrade Kim Chong-il for the times and revolution, for the country and the people and laying emphasis on the representation of man on the basis of chuche-based realism.

Noting that it is a monument of heroes of the times which shows the essential characteristics of the Korean-style monuments on the highest level, they explained this on a profound scientific and theoretical basis.

The most important, essential characteristics of the Korean-style monuments lie in highly praising the greatness and imperishable feats of the party and the leader and conveying them down through generations, they stressed. They pointed out that the monument to the war victory represents broadly and deeply the great exploits of the respected leader who wisely led the Fatherland Liberation War to a brilliant victory, through the sculpture of the main theme "victory" and ten group sculptures of subsidiary themes including "Battle To Liberate Taejon," "River-Crossing Battle on the Nak-tong" and through the grand gate and post sculptures consisting of the party's flag and soldier, and the military colors and the standard-bearer.

They said the sculpture of the main theme "Victory" and group sculptures of subsidiary themes presented in descriptive formations reflect the heroic mettle and high revolutionary pride of the Korean people who defeated the U.S. imperialists for the first time in history under the wise leadership of the great leader, and they tell the profound idea that the victory of the Korean people in the Fatherland Liberation War was a victory of idea, strategy and tactics, a great victory of leadership.

Present at the symposium were chairman of the Central Committee of the general federation of the unions of literature and arts of Korea Paek In-chun and artists in the city.

KCNA Describes War Monument's Sculpture

SK2008084393 Pyongyang KCNA in English 1503 GMT 19 Aug 93

[Text] Pyongyang, August 19 (KCNA)—Ten group sculptures of subsidiary themes of the monument to the victory in the Fatherland Liberation War stand symmetrically to be climaxed with the sculpture of the main theme "victory". One of them depicts artillerymen of the People's Army pulling a direct-firing gun up a hill.

The group sculpture of the subsidiary theme "carry the direct-firing gun up the hill" vividly represents People's Army soldiers implementing the *chuche*-based tactics of the great leader President Kim Il-song during the Fatherland Liberation War.

The bronze sculpture on a granite foundation stone consists of artillerymen of the People's Army pulling the rope fastened to a gun on the slope of a hill, a commanding officer shouting orders and other artillerymen pushing the wheels of the gun from behind.

The great leader victoriously led the Fatherland Liberation War with his outstanding military strategy and tactics. He laid down a unique tactics of artillery warfare for using various types of guns to suit the conditions of Korea which abounds in mountains and valleys and gave an order to install direct-firing guns atop hills and destroy the enemy with direct firing.

The artillerymen of the People's Army installed direct-firing guns atop many hills including Hill 1211, fired them at the enemy tanks, armored vehicles, pillboxes and effectives and greatly contributed to the victory in battles.

The group sculpture gives great courage to the Korean people as it well reflects ideologically and aesthetically the mental world of the People's Army soldiers who unconditionally fulfilled the orders of comrade supreme commander to the letter in the indomitable revolutionary spirit under whatever difficult conditions.

Pyongyang Hosts Juvenile Gymnastic Championship

SK2008054293 Pyongyang KCNA in English 0436 GMT 20 Aug 93

[Text] Pyongyang, August 20 (KCNA)—A national juvenile gymnastic championship was held at the athletic gymnasium in Chongchun street here from August 16 to 19.

The championship involved team and individual (all-round) events and apparatus competitions.

The gymnasts gave a good account of themselves at all events by fully displaying sports skills they had cultivated through their daily training.

More than 100 gymnasts from various sports groups competed in the championship.

South Korea

Not 'Much Credibility' in Story on North Riots

SK2008084793 Seoul YONHAP in English 0817 GMT 20 Aug 93

[Text] Seoul, Aug. 20 (YONHAP)—A high-ranking South Korean military official said Friday he could not confirm a report that there have been food riots and domestic insurrections are spreading in North Korea.

The official, who declined to be identified by name, said there had been five or six intelligence reports on food riots in North Korea in 1991 and 1992.

There was a report earlier this year that a food riot broke out in April in Sinuiju, on the Chinese border in western North Korea, but it could not be confirmed, the official said.

He was commenting on THE WASHINGTON POST report Thursday [19 August] that quoted Japanese travelers to North Korea as saying that food riots and domestic insurrection are spreading as people grow ever more hungry and desperate in the communist country.

The official denied the POST claim that the S.S. Mangyongbong '92, a ship that has been carrying Korean-Japanese visitors to North Korea, abruptly stopped its regular passenger cruises.

The Mangyongbong was still sailing between Niigata, Japan, and Chongjin, North Korea, he said.

The official, stressing that it was his private opinion, said that there was no chance for such a totalitarian government as the one in Pyongyang to let its people resort to rioting, however hungry they may be.

Reports on food shortages in North Korea do not carry much credibility, he added.

Daily Views North Korean Intention With IAEA

SK1908235393 Seoul CHUNGANG ILBO in Korean 19 Aug 93 p 5

[Article by reporter Pak Ui-chun: "North Korean Intention To Resume Negotiations With International Atomic Energy Agency (IAEA)"]

[Text] North Korea, which has shown an ambiguous attitude toward the nuclear inspection issue since the Geneva talks held in the middle of last month, revealed an intention to resume negotiations with the IAEA soon

on implementing the nuclear safeguards accord. Thus, the North Korean nuclear issue faces a new turning point.

Since the IAEA Board of Governors meeting held last February, North Korea has not responded to negotiations with the IAEA despite its repeated demands. Therefore, North Korea's intention to resume negotiations itself can be regarded as a green light in resolving the nuclear problem.

Concerning this, government authorities stated that "it has yet to be seen whether North Korea's expression of its intention to come to the negotiation table is the last resort for holding the third-phase talks with the United States or was prompted by its genuine will to resolve the nuclear issue." However, government authorities assessed that North Korea, after showing no response for a long time, clearly expressed its intention for dialogue. This can be accepted as "remarkable progress."

It appears that the North Korean decision to respond to negotiations with the IAEA is intended to comply with the results of Geneva talks and to hold the third-phase of talks with the United States by assuming an affirmative attitude toward dialogue.

This is more true in view of the fact that until very recently, North Korea claimed that "negotiations with the IAEA are designed to discuss the issue of impartiality, not the nuclear inspection issue."

This being the case, many people observed that even if North Korea and the IAEA sit at the negotiation table together, the inspection issue will not be resolved smoothly.

On 18 August, David Kyd, an IAEA spokesman, announced that North Korea notified the IAEA of its will for negotiations on the nuclear inspection issue. He then said: "We do not expect concrete results at the first round of talks. We have a long way to go." This endorses such observations.

The ROK Government also predicts that as the positions of the IAEA and North Korea are remarkably different from each other, approaching each side's views will not be easy, and that the essential issues, including the special inspection issue, will drag on for some time.

The hot issue in negotiations between the IAEA and North Korea, needless to say, is the special inspection of two unregistered facilities in Yongbyon.

The IAEA will urge North Korea to accept a special inspection of unregistered facilities in any form. For this, North Korea will, as in the past, likely adhere to a "resistance operation" by claiming that these facilities are military facilities.

The problem is that for North Korea to improve its relations with the United States—its final aim—by resuming the third phase of talks with the United States,

North Korea should clarify its intention to accept inspections before mid-September, the reasonable deadline designated by the United States. North Korea is also in the position of having to resume North-South dialogue.

Therefore, the possibility that North Korea will, as in the past, accept inspections at the final stage in such a manner to evade damage to its pride.

Kim Kuk-chin, senior researcher at the Research Institute for Foreign Policies and Security Affairs, noted that "North Korea likely will respond to negotiations with the IAEA in an attempt to evade sanctions by the United Nations while continuing the third-phase talks with the United States. Because it is very difficult for North Korea to maintain its political system, even by rejecting nuclear inspections to the last, the possibility that North Korea will comply with a nuclear inspection is very high," thus showing a cautiously optimistic view.

Daily on North Korean Premier Kang Song-san

*SK2008061093 Seoul CHUNGANG ILBO in Korean
19 Aug 93 p 11*

[Article by Kim Kuk-hu, Yu Yong-ku, and O Yong-hwan from "Kim Chong-il's North Korea" column: "Figures in Administration and Economic Organizations Who Are Close to Kim Chong-il"]

[Text] Administration Council Premier Kang Song-san is the unquestioned forerunner among the officials working in the North Korean administration and economic organizations who are close to Kim Chong-il.

Kang Song-san is an economic technocrat who led the North Korean economy along with former Premiers Yon Hyong-muk and Yi Kun-mo. Thus, Kang Song-san has enjoyed special trust by Kim Il-song and Kim Chong-il.

Kang was born in Kyongsong County, Chongjin, in 1931. He is Kim Il-song's cousin on his mother's side, and is a member of an elite who graduated from the Mangyongdae Revolutionary Institute and studied at the Prague Engineering College in Czechoslovakia.

Whenever the "antifactionist struggle" was waged in 1956 (Yonan faction), in 1956-1960 (Soviet faction), in 1967 (Kapsan faction) and in 1969-1970 (hard-line faction within the military), Kang Song-san remained faithfully loyal to Kim Il-song, like other figures who were close to Kim Chong-il. Since that time, Kang stood at the forefront in upholding Kim Chong-il as the successor to Kim Il-song.

When he was 39 years old, Kang was nominated as responsible secretary of the Pyongyang Municipal Party Committee, thus standing at the vanguard of the new generation. It was in 1975 when he transferred to an administration and economic organization after having worked as a key member of the party for a long time.

During the plenary meeting of the Pyongyang Municipal Party Committee held in June 1974, "irregularities"

committed by Kim Song- kap (then political bureau member of the Navy command) who is a younger brother of Kim Song-ae, by Kim Il-song's second wife, while working as "secretary for organizational work in the Pyongyang municipal party" were exposed. As the result, those close to Kim Song-ae were forced to retreat from the first line of power to the back since this meeting was held. Kang Song-san organized and led this meeting as responsible secretary of the municipal party committee. However, he was relieved of his post, being accused of failure to report the incident to the party center in advance, thus suffering a misfortune. However, Kim Il-song and Kim Chong-il did not want to get rid of Kang Song-san, who was "a capable relative." On the pretext of calling him to account, they transferred Kang to a post in the administration and economic organization (vice premier- level) which was a level equivalent to his former position. Since that time, Kang has grown to be one of the key members in this organization, and thus his political frustration in the 1974-75 period became a case in which a misfortune turned into a blessing.

It was during the third session of the Seventh Supreme People's Assembly [SPA] held in January 1984, 10 years later, that the spotlight was focused on Kang Song-san again. In the capacity of first vice premier of the Administration Council, Kang Song-san made an important report, entitled "On the Issue of Strengthening South-South Cooperation (cooperation with Third World countries) and External Economic Activities and on Further Developing Trade." He then was elected premier. His speech was exceptional in that it called for "active economic exchanges with capitalist countries." This report astonished experts on North Korea. Naturally, the experts observed that his appointment as premier was aimed at "intensifying external economic activities." After Kang Song-san emerged as premier, remarkable changes took place in North Korea. One such change was that North Korea shifted its cautious attitude on the special economic zones in China.

The notable changes in North Korean attitude were as follows:

In February 1984, Foreign Minister Kim Yong-nam visited Shenzhen Special Economic Zone, toured the electronic gauges industrial center, Sagu [as published] industrial complex, and a harbor construction site.

In June 1984, a North Korean Government delegation, led by External Foreign Affairs Minister Chong Song-nam, visited special economic zones in Shanghai for three weeks.

From 5 to 10 August 1984, Premier Kang Song-san toured a washing machine plant, packing plant, children's food plant, and undershirts plant in Beijing and Shanghai.

From 3 to 5 August, a delegation of the Workers Party of Korea led by Kye Ung-tae, then the responsible secretary of South Pyongan Provincial Party Committee, visited Shenzhen Special Economic Zone.

After a series of observation trips to China by important North Korean cadres, North Korea adopted the "Joint Company Law" and put it into practice in September 1984 for the first time in its history. In the same year, North Korea enacted the "Regulations for Operation of the Joint Corporation Law," the "Joint Corporations' Income Tax Law," and the "Foreigners' Income Tax Law." The "External Economic Committee" of North Korea's State Administration Council was established in December 1984. Observers say that the change in North Korea's policy was influenced by Kim Chong-il.

Amid the whirl of changes, Kang Song-san suddenly quit the position of premier (Yi Kun-mo succeeded him in the job) and was appointed as party secretary in December 1986. This has been interpreted in many ways. Some said North Korea was worrying about the hasty economic opening. Some interpreted it as the comeback of a heavy industrial line, and others regarded it as the downfall of the pro- Chinese line because of North Korea's pro-Soviet policy. However, even after he was dismissed from the premier's position, Kang continued his active political activities as a member of the party Political Bureau and a party secretary, and his rank in the party did not decline much. This means that Kang's dismissal from premier cannot be considered as a discredit.

In March 1988, Kang was appointed as secretary responsible for the North Hamgyong Provincial Party Committee. Observers say that Kang, who was in charge of North Hamgyong Province, spent several years to design the plan for development of the Najin-Sonbong free economic and trade zone, which was announced to the public in 1991. This observation is credible.

Kang visited Beijing and local areas of China as the head of a North Korean party delegation from 9 to 21 May 1990. This was a part of the preparatory work for opening. China's RENMIN RIBAO (12 May 1990 edition) made a meaningful report saying that Kang had met China's General Secretary Jiang Zemin and praised China's reform and opening.

On 4 September 1992, Kim Il-song called a sudden expanded meeting of the plenary session of the People's Committee of North Hamgyong Province. Concluding the meeting, Kim Il-song expressed his "great satisfaction with great results achieved by North Hamgyong Province in recent years in the struggle to implement the party's economic policies." He directly praised Kang's administrative and economic management ability. It is highly possible that the decision on Kang's reappointment as premier was made during Kim Il-song's inspection trip to the province.

On 5 October 1992, the SPA Standing Committee adopted the "Foreigners' Investment Law," the "Joint Venture Law," and the "Foreign Enterprise Law," and made an epochal policy that allows enterprises to be established with 100-percent foreign funding in the free economic and trade zone. This was an important policy

change for North Korea, which had been extremely reluctant to open itself because of its pivotal policy of "self-reliant national economy." This may be a desperate measure to leave no difficulty for the "Kim Chong-il age."

Experts unanimously note that it is inevitable for North Korea to open itself because of difficulties in its overall economic situation and a shortage of foreign currency. Accordingly, the reappointment of Kang Song-san as premier and the promotions of Vice Premier Kim Tal-hyon and the party's International Department Director Kim Yong-sun up to candidate members of the party Political Bureau are interesting, because it is regarded as a preliminary step for the opening of North Korea.

In particular, Kang Song-san was first appointed as premier in 1984, the final year of the Second Seven-Year Plan, and appointed as premier again this year, the final year of the Third Seven-Year Plan. This has great significance. Because, before the Third Seven-Year Plan started in 1987, Kang was in office as premier during the two-year plan adjustment period following the implementation of the Second Seven-Year Plan in 1984.

It is possible now more than ever that Premier Kang, who is responsible for the frustration in North Korea's current economic plan, will use the opening as a move to settle problems. However, it is also possible that the premier will be replaced again if North Korea's partial opening falls short of expectations for economic rehabilitation. Because in that case, the replacement of the premier would lessen the burden of the succeeding Kim Chong-il regime.

Government May Allow Civilians in Panmunjom

SK2008104993 Seoul KBS-1 Radio Network in Korean 1020 GMT 20 Aug 93

[Text] The government is actively pushing for a plan to lift the ban on visits by civilians to Panmunjom so that those who want to visit Panmunjom can go there to directly observe the site of division.

On an inspection trip to Panmunjom this morning, Han Wan-sang, vice prime minister and unification minister, pointed out that restricting visits by civilians to Panmunjom is not desirable. He stated that for those who want to personally see the site of division, including those from the North and young people who did not experience the war, the government will discuss with relevant offices a method for enabling them to visit Panmunjom without much difficulty and will actively push that method.

Seoul Chooses French Firm for High-Speed Train

SK2008064993 Seoul YONHAP in English 0517 GMT 20 Aug 93

[Text] Seoul, Aug. 20 (YONHAP)—South Korea has chosen France's TGV (train a grande vitesse) to supply

the trainsets for the Seoul-Pusan high-speed railway, scheduled for operation from 2001, Transportation Minister Yi Kye-ik said Friday.

After screening the sixth proposals from GEC-Alsthom of France and Siemens AG of Germany for a month, the government has awarded the French company priority in negotiating the 10.7 trillion-won (13.2 billion-U.S.-dollar) contract.

Despite having said that the decision would be announced next week, the government raised the hand of the French company as the winner in a fierce two-year competition with its German and Japanese rivals.

If the Korea-France bargaining over price and technology transfer go smoothly, the contract will be signed and sealed for a full-fledged kick-off next year.

The Germans still have a slight chance if the French drive too hard a bargain.

Although Germans were persuasive in technology, the French were able to edge them with attractive price figures.

The final awardee will have to deliver two trainsets by 1997, when the pilot track between Chonan-Taejon is furnished, and supply 12 more by 1999 to be ready for the Seoul-Taejon opening.

All 32 trains, with 50 percent of them localized, must be delivered by 2001 for the 422-kilometer Seoul-Pusan railway.

With its radical improvements in economic, financial and contract conditions, and in view of its experience and business schedule, France's Alsthom proved superior to Germany's Siemens, Minister Yi said.

In 302 categories, Alsthom was top in 143 while Siemens stood out in 105, including technology and technology transfer. They were equal in 54.

The French company lowered its price by 230 million dollars in the final evaluation, slashing 1.3 billion dollars from its first bid, Yi said.

In future nitty-gritty talks, the Korea High-Speed Railway Construction Authority will try to wring more out of the French in price, set plans and a schedule for technology transfer and localization, attain a guarantee for the key technology in rolling stocks and telecommunications, and agree on operation, maintenance fees, training, and other service conditions.

Benefits in EC Market Expected

SK2008084593 Seoul YONHAP in English 0704 GMT 20 Aug 93

[Text] Seoul, Aug. 20 (YONHAP)—The Foreign Ministry sought the understanding of Germany and offered congratulations to France on Friday morning, when it

gave them advance notification of South Korea's choice of France's TGV [train a grande vitesse] for its high-speed railway system.

The message was that the Seoul Government had made the decision based on a "completely fair and objective" review of the offered price and technology transfer, with more emphasis on the latter, according to officials.

Assistant Foreign Minister for Economic Affairs Sun Chon-yong called German Ambassador Dieter Siemes first to tell him that Seoul would announce its decision later in the afternoon.

The ambassador had responded "cooly" to his explanation of the reason for the choice and request for Germany's understanding, Sun said.

Sun instructed the Korean Embassies in Paris and Bonn to notify their respective host countries beforehand.

The ministry official in charge of diplomatic talks involved in the railway project said the starkest difference between the French and German tenders was the degree of government support.

France was the most active from the very beginning, but the German Government started getting involved five or six years ago.

The ministry official remembered how Former President No Tae-u did not plan on a test ride of the TGV for security reasons during a visit to Paris, so the French Government renovated an entire train to fit his security needs and got No to come on aboard.

Another official remembered how Japan officially protested when Seoul announced after five rounds of reviews that its Shinkansen would be dropped from the competitor's list.

Tokyo wanted Seoul to make clear that it was ousted not because it fell short in technology but because it happened not to meet Korea's particular requirements.

When it comes to technology transfer, Germany has been the more giving government, actually the most giving government among the EC nations, officials explain.

While the ministry welcomed the chance to expand technological cooperation with France in areas other than railway system, it was equally concerned that Friday's choice not interfere in standing relations with Germany.

In any case, the selection of a European railway is expected to ease Korean exports to the EC.

EC nations complained in high-level consultations with Seoul last June that Korean automobiles were flooding the European market, but Korean doors were closed to EC cars.

"Now that we will be buying massively for the railway project, this complaint will certainly die down," said another official.

Editorial Marks First Anniversary of PRC Ties

SK2008071993 Seoul MAEIL KYONGJE SINMUN in Korean 20 Aug 93 p 3

[Editorial: "Tasks To Achieve on the Occasion of the First Anniversary of the Establishment of Diplomatic Relations Between the ROK and the PRC"]

[Text] The ROK and the PRC will mark the first anniversary of establishing formal diplomatic ties on 24 August. It has already been one year since the two countries put an end to the dark and ruptured era dotted with the Japanese invasion, the Pacific war, the liberation, the division, the Korean war, and the Chinese participation in the Korean war, and opened the era of reciprocity and cooperation.

The resumption of the establishment of diplomatic ties between the two countries predicted a great change in the Northeast Asia region in terms of politics, security, and economy. The PRC declared to begin equidistant diplomacy with the ROK and the DPRK by formally recognizing the ROK. It also indicates that among the big powers in this region, the PRC, along with Russia, will exercise substantial influence in South-North Korean relations.

In terms of security, the establishment of diplomatic ties between the ROK and the PRC was also an important change. The era of ideological confrontation has ended, and the era of putting priority on safeguarding national interest and developing national power has been reached. Therefore, the fact that the ROK, a successful case of economic growth, established diplomatic ties with the PRC predicted that a new trust can be woven based on the development of national interest between the ROK and the PRC.

In terms of economic cooperation, the reciprocal relations between the two countries have already been practically proven. The two countries' volume of trade was \$4.4 billion in 1991, which was before the establishment of diplomatic ties. However, from August 1992 to August 1993, it is expected to grow close to \$8 billion. In terms of the balance of payments, it was in red figures before the establishment of diplomatic ties, but it may lead to a surplus of over \$1 billion this year. Especially, it is a well-known fact that under the PRC's Eighth Five-Year Plan, the infrastructure construction and the demand for related heavy machineries increased drastically, thus playing the role of supporting the ROK's exports.

After the establishment of diplomatic ties, the ROK companies' investment in the PRC also increased drastically, taking more than half of the ROK's total international investment. What is notable is that comparatively capital-intensive large-scale projects including

electronics, cement, automobile, and resource development also began after the establishment of diplomatic ties between the two countries. On the PRC side, over 20 enterprises opened branches or offices in the ROK.

We must make a thorough examination of the developments made in the ROK-PRC economic relations during the past one year so that plans can be made for long-term strategies in this field.

It is wholly correct for the two countries to maintain expanded and balanced trade and investment relations in various fields in the future; effectively mutually utilize resources mutually; and make the most of comparative advantages. Yet, we must not forget that there are several tasks which we must not neglect.

First, we must make it clear that the establishment of diplomatic ties between the two countries and the expanded economic exchange are not to bury the past history. In relations with North Korea in particular, we must persistently request the PRC for its sensible, consistent, and transparent attitude.

Second, we must not forget that most of the PRC's businesses are still under the thorough control of the government. We must take into account that if the PRC Government feels that it is necessary in carrying out its policy, there may be unexpected changes in the business field in some cases.

Third, we must advance our industrial structure and technological level as soon as possible. Conditions must be created and inducement policies must be provided so that idle production resources, which is appearing because of the transfer of businesses to the PRC, can be immediately put into our high growth industrial project.

DP Asks Japan To Help in Kim Tae-chung Case

SK2008053293 Seoul YONHAP in English 0451 GMT 20 Aug 93

[Text] Seoul, Aug. 20 (YONHAP)—A couple of Democratic Party (DP) representatives handed a letter to Japanese Government and Diet leaders Thursday [19 August] requesting Japan's cooperation in digging out the truth of former opposition leader Kim Tae-chung's abduction, the chairman of the DP ad hoc committee on the case, Kim Yong-pae, said on Friday.

Committee members Cho Sun-sung and Namgung Chin delivered copies of the letter to Prime Minister Morihiro Hosokawa, Foreign Minister Tsutomu Hata, chief cabinet secretary Masayoshi Takemura, Justice Minister Akira Mikazuki, Home Affairs Minister Kanju Sato and Lower House Speaker Takako Doi.

Cho and Namgung also met with Upper House Dietman Den Hideo, who agreed to organize a Japanese-side committee to jointly investigate the abduction with the DP committee and to urge both the South Korean and Japanese Governments to clear up the case.

The Japanese-side committee will include Hideo, Doi, Upper House Dietman Utsunomiya Tokuma, Lower House Vice Speaker Kujiraoka Hyosuke, other representatives and human rights group leaders.

"The Japanese-side committee will visit Seoul on Sept. 4 to meet with the DP committee, which will visit Japan on Sept. 5 to ask Japanese Government figures including Prime Minister Hosokawa to cooperate," committee Chairman Kim said.

Kim Tae-chung, a critic of then President Pak Chong-hui, was kidnapped from a hotel in Tokyo by suspected members of the Korean Central Intelligence Agency, forerunner of the Agency for National Security Planning, in August 1973.

Businessmen Invest \$23 Million in Vietnam

SK2008025393 Seoul YONHAP in English 0125 GMT 20 Aug 93

[Text] Seoul, Aug. 20 (YONHAP)—South Korean businesses had made 15 investments of no more than 23 million U.S. dollars in Vietnam as of the end of June, but will sharply increase the amount soon, according to the Finance Ministry on Friday.

All the investments but one were made in labor-intensive areas of manufacturing, including electric and electronics, textiles, garments and fabricated metal products, it said. The one was in fisheries.

Textiles and garments amounted to 74.6 percent of the total, or six investments reaching 17 million dollars.

Ten of the investments were in Ho Chi Minh City, which was the economic center of pre-communist Vietnam and has better social infrastructure than any other city.

Ministry officials attributed the relatively low investment to the short period since Korea began to invest there last year.

Korea and Vietnam normalized diplomatic relations in December last year while the investment guarantee agreement was concluded in May.

Investment in Vietnam is expected to soar as the ministry has given approval for 29 investments of 151 million dollars as of the end of June, including the 15.

Korean companies are interested in investing in Vietnam because of its rich natural resources such as iron and offshore oil and its large pool of labor.

Information Minister: Reform Program in 2d Stage

SK2008024893 Seoul YONHAP in English 0117 GMT 20 Aug 93

[Text] Seoul, Aug. 20 (YONHAP)—With the introduction of real-name financial transactions and the enactment of the ethics law for public officials, President Kim

Yong-sam's reform has entered its second stage, Information Minister O In-hwan said Friday.

Future reform will be carried out in accordance with the law and under the established system, O said, addressing a breakfast meeting of the nation's top business managers.

In his speech, entitled "The Role of Businesses in the Era of Changes and Reform," O noted that there had been resistance from some past interest groups to the reform.

With overwhelming support from the people, the administration had successfully implemented its first-stage reform program, O said.

He said the introduction of real-name financial transactions was significant because it signaled that the government's reform efforts are entering their second stage and because it came at a time when many were expressing concern that intensity of reform might be slackening.

It had been President Kim's original plan to push reform through law and system in the second stage, after putting the program on track in the initial phase during the first six months of his administration, O said.

Six months of reform under the civilian government had been led by the president, O said, that was why there had been criticism that the nation was being ruled by one man rather than by the law and the people.

But the style of governing was necessary because the new government had to provide the framework for reform in a short period of time, O said.

It had been a transitional period in which a new order replaced the old, and during that time, what was most needed was a change in the people's way of thinking and its maturity, O said.

If the people continued to dwell in old ways of thinking and practices, the government would not be able to carry out the second stage of reform, he said.

O declared the time of collusion between politicians and businessmen over.

The real-name financial system and other measures introduced by the administration would "normalize" and rationalize business activities and bestow competitive strength on industry, he said.

'Real-Name' Financial System Takes Effect

Cabinet Adopts System

SK2008043193 Seoul YONHAP in English 0300 GMT
20 Aug 93

[Text] Seoul, Aug. 20 (YONHAP)—With the National Assembly's approval of the real-name financial system Thursday [19 August], the cabinet met in session Friday and publicly proclaimed the presidential order requiring the use of real names in all financial transactions.

Prime Minister Hwang In-song, who presided over the cabinet meeting, said the real-name system was a reform that would bring direct and indirect effect not only on the nation's economic sector but society as a whole.

He ordered the ministers to do their utmost to minimize possible ill-effects of the system.

It is a very serious problem that many people, especially those in business, are feeling unease because of the introduction of the new system, Hwang said, adding that the government should try and alleviate that fear.

Firms To Gain Research Funds

SK2008061593 Seoul THE KOREA TIMES in English
20 Aug 93 p 3

[Text] The government will provide an additional 50 billion won (about 62.5 million U.S. dollars) in loans for R&D [research and development] investment by small- and medium-sized enterprises now experiencing serious financial difficulties.

The Science-Technology Ministry has decided to increase loans for small enterprises for technical innovation projects as they are now in a serious financial pinch following the implementation of the real-name financial transaction system last Thursday, a ministry spokesman said yesterday.

At present, the government has been extending loans with a 6 percent interest rate from a 100-billion-won fund for technical innovation for small businesses since last June and the granting of loans will be completed by late next month.

Beginning October, an additional 50 billion won will be raised and loaned to small enterprises, according to the ministry.

Ministry officials forecast that the introduction of real names in all financial transactions will be conducive to creating a favorable investment climate for small- and medium-sized businesses in R&D projects in the long run.

In the short term, however, R&D investment will fall short of original expectations mainly because of the financial crunch, the officials said.

Therefore, the ministry plans to advance loans from 400 billion- won funds which were raised by the Korea Technology Banking Corporation (KTB) for small businesses this year.

Procedures for applying for loans from the funds will be simplified. KTB officials will receive applications from businesses through their circuit visits to local communities.

The ministry plans to have frequent consultations with private organizations related to technical development to help them resolve difficulties in their promotion of R&D activities.

In the meantime, 12 state-invested institutes have concluded contracts with 137 small businesses to provide them 126 technologies free, according to the ministry.

The government initiated the project last June in order to help private enterprises commercialize various new technologies developed by the Korea Institute of Science and Technology (KIST) and a dozen other state-invested institutes.

A consultative meeting will be held next Tuesday between institutes and private enterprises to resolve problems and bottlenecks in the process of the commercialization of those technologies.

The second-stage free transfer of technologies developed by the state-run institutes to private businesses will begin early next month, the ministry spokesman said.

Stock Market 'Doing So Well'

SK2008080493 Seoul YONHAP in English 0620 GMT
20 Aug 93

[By So Hae-song]

[Text] Seoul, Aug. 20 (YONHAP)—The Korean Stock Exchange, for years hypersensitive to the merest murmur of real-name financial transactions, is doing so well one week after introduction of the dreaded system that the experts are scratching their heads.

Securities analysts are unable to explain the market's quick recovery and current bullishness, or the surging customer deposits at brokerages, but were excited when the all-share composite stock price index hit 737.97 on Thursday [19 August], rebounding 71.3 points or 10.6 percent after going into free-fall on Saturday, the second trading day after the real-name system was introduced.

Adding to their glee is the surge of 292 billion won (360 million U.S. dollars) to 2,733.5 billion won in customer deposits Wednesday from 2,441 billion won on Aug. 12.

It is natural for money to flow into the stock market, however, because it has nowhere else to go. Withdrawals and cash movements are closely watched and money is blocked from going to real estate or fleeing abroad.

In addition, it is difficult to pull out of the bourse because withdrawals from customer deposits above 30 million won must be reported to the office of national tax administration.

The experts are nevertheless uneasy about the speed the market overcame the real-name scare and adopted its current upbeat mood, and worry that prices are marching to the beat of an illusionary drum.

A rumor that President Kim Yong-sam would make another major surprise announcement to change the currency had immediate effect on the market despite strong denials by the government.

This is reflected in the fact that some 40 percent of the stock purchases made during the last week were cash transactions, compared with just 10 percent in the past.

The composite stock index flew high Thursday [19 August] and buying offers with cash poured in on rumors that Kim would soon announce the introduction of new 10,000 won and 5,000 won bills.

"Commonsensibly speaking, it is stupid to think that the government will introduce currency reform at this stage, but in view of the fact that the rumors about the real-name system came true, you cannot just wave aside such a possibility," a securities analyst said. "There are enough sayings going around here on the market that currency reform will also be suddenly carried out to bring all the money safely hidden at home out into the light."

Some in the stock dealing district believe the Korea Mint Corp. has already begun printing new money in preparation for currency reform, reflecting how serious stock players are about the rumors.

Other talk, equally incredible from a commonsense viewpoint but also effecting the market greatly, is of an inter-Korean summit in the near future.

The anticipation that the North Korean issue will be resolved after the communist regime welcomes inspections by the International Atomic Energy Agency has attracted many with high hopes.

Securities experts blame "big hands" looking for quick profits for spreading the rumors.

"It is also wrong that investors are so sensitive to the groundless rumors running around," one expert says.

The experts say the money, especially the cash, is coming from livingroom safes.

While the government can keep its eyes on deposits in banks and other financial institutions, it has no control over money tucked away in safes at home or anywhere other than financial institutions.

For example, if a person buys 500 million won of shares with money from his piggy bank and sells them in two months time for 520 million won, there is no need under the new law to report the profit of 20 million won to the tax man and the money is now perfectly legal.

Some believe that a few politicians and high-ranking public officials are laundering their hidden assets this way through close aides.

It is also a general belief that customer deposits withdrawn on reports of the real-name system's introduction, are returning, and large shareholders and the big hands are said to prefer investment in the stock market as a relatively safe place to keep their cash.

Customer deposits are growing and stock prices soaring despite the real-name system, and most experts predict

this will continue if government stock stabilization measures, due to be announced soon, are a success.

Firms To Continue Investments

SK1908022493 Seoul YONHAP in English 0013 GMT 19 Aug 93

[Text] Seoul, Aug. 19 (YONHAP)—All major business groups are expected to carry out their investments in plant and equipment in the second half of this year as planned despite confusion arising from the introduction of the real-name financial system.

The Korea Employers Federation said Thursday it had asked some 300 business enterprises, including such large groups as Samsung and Hyundai, the prospects for their capital investment.

It said only 5 percent had replied that they would wait and watch the economic trend for a while before deciding whether to adjust their investment plans.

All the rest said they would go ahead as planned, it said.

One federation official said even those taking a wait-and-see attitude had indicated they would reduce non-essential capital investment only when the nation's overall business shrank rapidly.

Few big business groups were withholding their capital investment plans because of the introduction of the real-name financial transactions system, he said.

The same reply came back when the big business groups, including Samsung, Hyundai, Lucky-Goldstar, Daewoo and Sunkyong, were contacted individually by YONHAP News Agency for comment.

The Samsung Group plans to invest 3.8 trillion won as planned, officials said. But it ruled out earlier plans to expand the size of the second-half investment or carry out the plan ahead of schedule, they added.

The Hyundai Group said it would go ahead and make capital investment totaling 1.4 trillion won as planned before the real-name system came into being.

The Lucky-Goldstar Group plans to spend 912 billion won in the second half of this year in investment while the Daewoo Group will invest 938 billion won.

One Daewoo official said his group had anticipated introduction of the real-name system in the second half of the year in working out its plan for capital investment, so there was no need to adjust it.

Unemployment for College Graduates 'Rising'

SK1908095593 Seoul YONHAP in English 0817 GMT 19 Aug 93

[Text] Seoul, Aug. 19 (YONHAP)—The economically active population topped 20 million for the first time, reaching 20,042,000 in the second quarter, the national statistical office said in a report on Thursday.

Unemployment is rising, especially among college graduates and job seekers in their 20s, because too few jobs were being created by the weak economy.

Participation in economic activity among 32,293,000 people aged 15 or above was 62.1 percent, except students and housewives. The unemployment rate was 3.1 percent, which compares with 2.6 percent in the first quarter and 2.4 percent in the same quarter of 1992.

Unemployed college graduates numbered 156,000, or 4.4 percent of the total, which compared with 119,000, or 3.7 percent, a year earlier.

Unemployment was 3.6 percent (306,000) among high school graduates, compared with 3.0 percent a year earlier and 4.2 percent in the first quarter. Graduates of middle schools or lower educational institutes posted 1.3 percent of unemployment (103,000), compared with 1.6 percent in the previous quarter.

By region, unemployment is highest in Kwangju at 4.6 percent followed by Taejon at 4.4 percent, Taegu and Pusan at 4.3 percent, and Seoul and Incheon at 3.4 percent.

Hyundai Laborers Stage Work Stoppage, Walkout

Management, Labor Agree

SK1308040893 Seoul THE KOREA TIMES in English 13 Aug 93 p 3

[Text] Ulsan, Kyongsang-namdo [South Kyongsang Province]—The Hyundai Business Group inched closer to restoring industrial peace with union workers of Hyundai Electrical Engineering endorsing an agreement reached between labor and management representatives.

The successful conclusion of collective bargaining at Hyundai Electrical Engineering left just two of nine Hyundai companies, which entered into walkouts, in dispute.

The two companies are Hyundai Heavy Industries, one of Hyundai's largest subsidiaries, and Hyundai Wood Industries where unionists remained on a full work stoppage since management lifted a lockout last Wednesday.

In the endorsement vote held yesterday morning at Hyundai Electrical Engineering, 51.3 percent or 928 of the total of 1,808 participating unionists supported the compromise, ending two months of conflict.

In the accord, labor and management agree on a 4.7-percent increase in wages, 250,000 won in chusok bonus and a special incentive payment of 200 percent of monthly wages should the company turn a profit.

The compromise, which also provides an additional monthly allowance of 21,600 won, was realized in marathon talks extending from noon Wednesday [11 August] till 6:30 yesterday morning.

Despite the increasing mood of compromise, labor and management of Hyundai Wood Industries remained in a vicious deadlock with management refusing to even come to the negotiating table.

Fortunately, negotiators at Hyundai Heavy Industries have reported considerable progress in their talks and the two sides met for a final round of talks yesterday morning.

Sources close to both labor and management said the respective representatives have finalized their positions on all outstanding issues and a compromise appears imminent.

They said management has expressed its willingness to concede on a number of issues of contention provided the union leaders retreat from their stance of demanding a high increase in wages.

The final proposal by the union calls for a wage hike of 6.5 percent, annual bonuses amounting to 700 percent of monthly salaries and a 100-percent special bonus in return for making up production losses.

On the other hand, management is insisting on a 4.7-percent increase in wages, annual bonuses of 650 percent and a 100-percent special incentive bonus should the company turn a profit.

Despite the differences in the positions of the two sides, the sources said there is a strong commitment to end the dispute before the end of this week.

The disputes at Hyundai companies appeared to be headed for a dramatic compromise three weeks ago when union workers of Hyundai Motor Co. agreed to accept an agreement reached between their representatives and management.

The disputes, however, took a turn for the worse in the following week with management of Hyundai Wood deciding to indefinitely lock out their facilities in the absence of any indication of progress in the collective bargaining.

Making the situation worse, management of Hyundai Heavy Industries also announced a lockout, plunging the disputes to the worst crisis.

Subsequently, management of both companies called off their lockouts and breathed an air of hope for renewed negotiations and offered a chance of reaching a compromise without forcing a violent confrontation.

Ministry Plans Emergency Moves

SK1608081593 Seoul YONHAP in English 0751 GMT 16 Aug 93

[Text] Seoul, Aug. 16 (YONHAP)—The Labor Ministry will invoke its emergency adjustment power to end a dispute at the Hyundai Heavy Industry Co. on Saturday [21 August] if it's not settled by the middle of the week.

"Labor and management of the Hyundai company will resume negotiations on Tuesday and it is important," Assistant Labor Minister for Industrial Relations Choe Sung-pu told reporters Monday.

"The Labor Ministry will support a conclusion, but if not we will invoke emergency adjustment power this weekend."

The decision to invoke emergency power was announced Aug. 13, but the action was delayed several times because the ministry wanted another chance to labor and management, Choe said.

Union Approves Pay Offer

SK1908100493 Seoul YONHAP in English 0752 GMT 19 Aug 93

[Text] Ulsan, South Korea, Aug. 19 (YONHAP)—The union membership of Hyundai Heavy Industries Co. narrowly approved the company's pay offer in a vote Thursday, capping the labor disputes at the nine Hyundai companies in Ulsan.

The 52.13-percent "yes" vote not only ended a 46-day-long industrial action at the shipyard but also put all nine sister companies in the area back to work since the pay disputes first began with Hyundai Precision and Industry Co. on June 5.

The accord came after labor showed a positive attitude to a company offer that included a 4.75-percent pay raise, a 650-percent bonus according to performance, and a proposal to reinstate 12 workers.

The reinstatement issue was the main sticking point in the 43 rounds of negotiations that began on July 5.

The government had threatened to use its emergency power to put an end to the dispute if labor and management didn't come to some kind of agreement by Saturday.

State To Allow Seasonal Rice Price Fluctuations

SK1908113493 Seoul YONHAP in English 1023 GMT 19 Aug 93

[Text] Seoul, Aug. 19 (YONHAP)—The government has decided to introduce a new rice price system under which it would condone seasonal changes in rice prices to a certain extent.

Beginning next year rice price changes will be allowed to the extent of 10 percent in a period before rice harvests and 3 percent during the harvest season with the previous year's November rice price in the rural area as the base price.

In the past, the government did not allow seasonal rice price changes in a policy to peg rice price increase down to only 3 to 4 percent a year.

Agriculture, Forestry and Fisheries Minister Ho Sinhaeng said on Thursday that if rice price rises beyond the permissible level, the government would promptly release part of its rice stockpile to ensure price stabilization.

Minister Ho also said this year his ministry would try to purchase rice roughly in the same amount as the recent years' average, 8 million to 9 million sok.

The price at which the government will buy rice this year will be determined in consideration of rice yields and the effect of rice purchase on the general price situation.

Announcing a set of new grain policies, Ho said the government would reduce its rice stockpile from 12.4 million sok (1.77 million tons) in coming October to 6 million sok in 1997, a level which he said would be maintained thereafter in preparation for national unification.

If and when unification is achieved, rice shortage in the northern area will be met with the South's stockpile in the first or two years.

Thereafter, rice self-sufficiency will be maintained through the cultivation of high-yield hybrids, the minister said.

Analysts 'Skeptical'

SK2008083393 Seoul YONHAP in English 0804 GMT 20 Aug 93

["News Analysis" by Kim Myong-chol: "New System Grants Limited Deregulation of Rice Prices"]

[Text] Seoul, Aug. 20 (YONHAP)—The new rice price system announced Thursday [19 August] is considered a reform of the two-tier system introduced in the late 1960s, when rice production fell short of demand.

Reform has long been called for as Korea produces more rice than it consumes and the inflexible two-tier pricing system not only increased spending by the grain management fund but reduced farm income as a result of strict control on prices.

The system brings limited deregulation of rice prices, allowing them to fluctuate within set limits to increase farmer's incomes.

Retail prices may rise or fall in the pre-harvest season (July and August) up to 10 percent of the previous year's price in rural areas, and up to 3 percent in the harvest

season (October and November), starting in 1995, according to the Agriculture, Forestry and Fisheries Ministry's announcement.

Next year, however, the limits will be 7 percent and 5 percent, respectively, to cushion the impact of the system on other prices.

Currently, rice prices are almost frozen as they are under the sway of government-set prices, which have been frozen for the past two years. As a result, the gap between harvest and pre-harvest prices in rural areas narrowed from 13.5 percent in 1990 to 4.8 percent in 1991 and 3.8 percent last year.

Another feature of the new system is that the government will now release rice from its reserves through farm cooperatives only. At present, the government sells its rice to both cooperatives and private dealers at prices far lower than it paid for the rice.

Under the new system, farm cooperatives are the only dealers in government rice, buying it at set prices and selling it for prices within the seasonal limits.

This will let farm cooperatives adjust the price as they are empowered to decide when, at what price and what quantity of the government rice to sell. If prices rise beyond the cooperatives' adjusting power, the government will make an emergency release of rice through open, competitive tender to check the rise.

The government will purchase 8 million sok to 9 million sok (one sok is 144kg) of rice this year, about average for the past several years, and the government's rice reserves will be reduced from 12.4 million sok in October this year to 6 million sok in 1997.

To reduce the grain management fund's losses, grain bonds will no longer be issued and the government rice purchase and storage funds will be taken out of the general-account budget. Currently, the grain management fund has a deficit of 1.38 trillion won and this will increase the budget requirement for state rice management from 440 billion won this year to 1.2 trillion won in 1995.

Analysts are skeptical of the new system's ability to reach its intended goal of increasing farm income, saying the seasonal price fluctuation limit of 10 percent is far lower than the 18 percent called for by some agricultural research economists and the replacement of grain bonds with support from the general-account budget will only increase the burden on taxpayers.

Cambodia

Chea Sim Receives U.S. Senate Delegates 18 Aug

BK1908063993 Phnom Penh National Voice of Cambodia Radio Network in Cambodian 0430 GMT 19 Aug 93

[Text] At 1630 on 18 August, His Excellency [H.E.] Chea Sim, acting head of state and acting chairman of the Cambodian National Assembly, received at the office of the Cambodian People's Party Central Committee a U.S. Senate delegation led by Senator Charles Robb, chairman of the U.S. Senate Sub-Committee for Asia and Pacific Affairs, who was paying a courtesy call.

On this occasion, H.E. Chea Sim cordially welcomed the guests and informed them about the situation, expressing his great appreciation for the delegation's visit to Cambodia at a time when the country is working to achieve genuine peace for the Cambodian nation.

Dealing with the Khmer Rouge issue, H.E. Chea Sim stressed that the Khmer Rouge side is still seriously violating the Paris agreement by refusing to take part in the election and by continuing to launch attacks in a number of important areas, such as the recent attack against Preah Vihear. Therefore, the Khmer Rouge side is entirely responsible for these acts.

Replying Charles Robb expressed great joy at the achievements of the Cambodian nation, which is undergoing remarkable progress toward genuine peace. Charles Robb also praised the current work of the Provisional National Government of Cambodia following the election of the constituent assembly and its success in its task to reconcile and unite the nation under the lofty leadership of the prince head of state and chairman of the Cambodian Supreme National Council.

Armed Forces Overrun KR Center in Northwest

BK2008050493 Hong Kong AFP in English 0433 GMT 20 Aug 93

[Text] Phum Chat, Cambodia, Aug 20 (AFP)—Cambodian Armed Forces on Friday overran and captured Phum Chat, the Khmer Rouge's most important military resupply center for northwest Cambodia, but when they got into town they found the guerrillas had fled, military officials said. The only way out was through Thailand as Cambodian troops had completely surrounded the fortress in an offensive that began Wednesday, they said.

In Bangkok, meanwhile, Khmer Rouge nominal leader Khieu Samphan met with Thai Foreign Minister Prasong Sunsiri. Prasong Thursday called for an end to the fighting and urged the Cambodian Government and the radical Marxist Khmer Rouge to hold talks.

The Khmer Rouge broke away from Cambodia's U.N. peace process last year and, in a major political miscalculation, boycotted U.N.-organised elections earlier this year.

The boycott was due to the belief that the polls would end in a victory for Phnom Penh's former Vietnam-installed government. But the royalist FUNCINPEC, a former Khmer Rouge ally during the war in Cambodia, came out on top, and formed an interim coalition government with the Phnom Penh faction.

Reversing its position, the Khmer Rouge has since been demnading to be formally allowed to participate in Cambodia's national politics.

More on Offensive Against Khmer Rouge Positions

BK2008073293 Hong Kong AFP in English 0713 GMT 20 Aug 93

[Report by Kevin Barrington]

[Text] Phum Chat, Cambodia, Aug 20 (AFP)—Cambodian Government forces Friday captured three strategic Khmer Rouge positions in northwest Cambodia after a two-day offensive, but said the guerrillas had melted away into neighbouring Thailand.

Territory seized included the guerrillas' most important resupply center here at the Thai border, along with Division 519 headquarters nearby, U.N. and military officials said.

"After this the NADK (National Army of Democratic Kampuchea, or Khmer Rouge) might be finished, no more fighting," said a jubilant soldier in his 20s who was celebrating the victory with a truckload of troops smoking cigarettes on the road into the town.

More than 600 guerrillas were confirmed to have surrendered to the newly unified Cambodian Army during the offensive, and U.N. peacekeepers counted 600 rounds of artillery and mortar fire in 36 hours, U.N. spokesman Eric Falt said in Phnom Penh.

Cambodian military and U.N. officials said Phum Chat was captured easily shortly after 6:00 A.M. Friday after a night of constant artillery fire.

"It appears there was little resistance as most of the DK had fled during the night or in the early morning hours," Falt said, refusing to specify how. "I don't know," he said.

The Cambodian Armed Forces had surrounded the fortress on three sides, with the fourth bordering Thailand. Falt said he had no reports of any Khmer Rouge joining the refugee population—which has grown to the thousands in Banteay Meanchey Province as soldiers forcibly evacuated Khmer Rouge families from their homes.

Falt said the Cambodian Army was firmly in control of the area in Banteay Meanchey, with only "a few small pockets of resistance" remaining.

Ngeth Sophan, a former armed forces official with close links to all the factions in the former resistance zone, told AFP that the Thai military had evacuated the Khmer Rouge through Thailand to Cambodian territory under the faction's control further south. An official close to the operation agreed: "It appears that's how they got out."

But in Thailand—where Khmer Rouge nominal leader Khieu Samphan called again for urgent talks following a meeting with the Thai foreign minister—area commander Major-General Nipphon Parranit, denied this.

"No guerrillas have crossed over into Thailand," he said. "We will only accept unarmed people on humanitarian grounds, and then we will move them back to Cambodia in a safe area." He did not say if any disarmed guerrillas were evacuated.

The Cambodian Government had formally asked Thailand to disarm and hand back any guerrillas fleeing into Thai territory to escape the fighting.

The attacks were part of a large-scale military offensive launched 10 days ago in central Cambodia which climaxed in the attack on the three Khmer Rouge positions near the border with Thailand on Wednesday.

The first target to fall was the headquarters of Khmer Rouge General Neak Vong, who controlled several hundred men at Sitheri.

In Phum Chat, Ngeth Sophan said houses belonging to Khieu Samphan and the faction's second-in-command Ieng Sary were captured.

Pol Pot, the nefarious leader responsible for the deaths of a million Cambodians during the Khmer Rouge regime from 1975-79, "also goes there from time to time," he said. He said government troops were forcibly evacuating Khmer Rouge families from their homes.

"They're all DK and some have a lot of weapons," he said. "It's better to spread them out to live with other people. If they stay in their villages, they may threaten us again."

Hundreds of refugees could be seen on Route 69 on the way to Sisophon. Falt said the United Nations was setting aside food aid for them but that "some policy issues had to be resolved" including reports that they have been forced out of their homes.

Falt said Cambodian Armed Forces had also captured and disarmed Khmer Rouge soldiers in Kompong Thom Province during fighting 60 kilometers (40 miles) north of the provincial capital earlier this week.

UNTAC Spokesman Condones Offensive

BK1908081493 Hong Kong AFP in English 0802 GMT 19 Aug 93

[Text] Phnom Penh, Aug 19 (AFP)—The spokesman for the United Nations peacekeeping operation in Cambodia on Thursday condoned the government's offensive against the Khmer Rouge and refused to call it a ceasefire violation. "We think if the NADK [National Army of Democratic Kampuchea] persists in attacks on ethnic minorities and infrastructure, the interim government has to deal with it," spokesman Eric Falt said.

Asked whether the offensive in the northwest was a violation of the 1991 ceasefire that brought 20,000 peacekeepers to Cambodia, Falt refused to answer.

The Khmer Rouge have continued massacring ethnic Vietnamese, blowing up bridges and shelling government positions in recent weeks.

Government troops launched an offensive against the Khmer Rouge on August 8 in central Kompong Thom Province, which continued in northwest Siem Reap on August 11 and then in Banteay Meanchey bordering Thailand on Wednesday.

The Cambodian forces, newly allied against the Khmer Rouge, succeeded in capturing several Khmer Rouge positions and driving them back at least 50 kilometers (30 miles) in some parts of the country.

Copresidents To Meet With Sihanouk in Pyongyang

OW1908081293 Tokyo KYODO in English 0749 GMT 19 Aug 93

[Text] Phnom Penh, Aug. 19 KYODO—Cambodian co-leaders Hun Sen and Prince Norodom Ranariddh will visit Pyongyang later this month to seek Prince Norodom Sihanouk's approval for the draft of a new constitution, sources in the interim government said Thursday [19 August]. The interim co-leaders of the Southeast Asian nation will also discuss with Sihanouk the problem of forming a new government, the sources said.

Sihanouk, Cambodia's head of state, is in North Korea reportedly recovering from an illness.

Sources here said the co-leaders will likely visit the North Korean capital on August 30. After talks with the co-leaders, Sihanouk will travel to Beijing on September 1, returning to Cambodia after September 10, according to sources with the UN peacekeeping mission.

The draft of the constitution provides the head of state, who would also concurrently serve as supreme military commander, with the right to issue orders in a state of emergency. After the ratification of the constitution, the first head of state would be elected to the new government with two-thirds of the National Assembly agreeing.

To Present Draft Constitution

BK1908140993 Phnom Penh National Voice of Cambodia Radio Network in Cambodian 1300 GMT 19 Aug 93

[Text] According to the National Assembly cabinet, the cochairmen of the Provisional National Government of Cambodia [PNGC] and His Excellency [H.E.] Chea Sim, first vice chairman of the National Assembly, will present the draft of Cambodia's 120-article constitution already completed by the Constitution Drafting Committee to His Royal Highness [HRH] Prince Norodom Sihanouk in Pyongyang of North Korea. The source discloses that the trip is scheduled for 31 August 1993.

The prince head of state's advice is needed before the draft constitution can be presented to the National Assembly for ratification at a session expected to be held in mid September.

It is worth mentioning that the Constitution Drafting Committee began writing the Cambodian constitution on 1 July and finished it on 18 August, that is, after more than one and a half months.

The trip to Pyongyang is expected to coincide with the PNGC's official visit. It is likely that the visit was already arranged at a meeting on 17 August between Prince Norodom Sirivut, minister of foreign affairs and international cooperation, and His Excellency North Korean ambassador to Cambodia.

North Korea is a country that HRH Prince Norodom Sihanouk considers as his great friend. The prince has pinned his hopes on the country's assistance in the rehabilitation of Cambodia. However, some believe that the assistance appears to be unsteady for the redevelopment of Cambodia and suggest that the PNGC look at other countries in Asia, such as Japan.

At present, HRH Prince Norodom Sihanouk is on convalescence in his palace in Pyongyang.

Laos

Foreign Minister Receives Two U.S. Bankers

BK1808063693 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 18 Aug 93

[Text] Somsavat Lingsavat, foreign affairs minister of the Lao People's Democratic Republic, received (Robert Vance) and (Sam Hawkers), vice chairmen of the United States City Bank in Washington and the Bangkok branch in Thailand respectively in Vientiane on the morning of 17 August.

The Lao minister expressed his appreciation of the visit to Laos by the two U.S. bank vice chairmen, which will contribute to the promoting and expanding of the Lao-U.S. economic cooperation between the two countries in the near future and in the long run, especially in the financial sphere.

SRV National Assembly Delegation Ends Visit

President Meets Assembly Chairman

BK1908030193 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 19 Aug 93

[Text] Yesterday afternoon, Nouthak Phoumsavan, Political Bureau member of the Lao People's Revolutionary Party [LPRP] Central Committee and president of the Lao People's Democratic Republic [LPDR], received at the Presidential Office in Vientiane Nong Duc Manh, Political Bureau member of the Communist Party of Vietnam [CPV] Central Committee and chairman of the SRV National Assembly, and the delegation which is currently on a five-day official friendship visit to the LPDR. The meeting and talk between the guest and the host proceeded in a very warm and friendly atmosphere.

On this occasion, the two leaders expressed their profound satisfaction over the further strengthening of the relations of friendship, special solidarity, and all-round cooperation between the two parties, states, and peoples of Laos and Vietnam. They also reiterated the need to increasingly enhance and develop, ever more effectively, the special solidarity and all-round cooperation on the basis of mutual assistance and benefits.

Phongsavat Boupha Interviewed

BK1708134793 Vientiane Vitthayou Hengsat Radio Network in Lao 1400 GMT 16 Aug 93

[Text] During the friendship visit to the Lao People's Democratic Republic [LPDR] by a high-level SRV National Assembly delegation at the invitation of the LPDR National Assembly chairman, a National Radio Station correspondent interviewed Phongsavat Boupha, deputy foreign affairs minister and chairman of the Lao-Vietnamese border peacekeeping cooperation committee. The minister was interviewed on the provision of conveniences for trade and visits by the border cooperation committees of the two countries for people in the border areas.

In his interview, the deputy foreign affairs minister said: it is well known that the LPDR and the SRV signed a border agreement in 1977. In 1986, another border agreement and a protocol were signed. In 1987, another protocol to the same effect was signed.

All these historic documents have contributed to turning the Lao-Vietnamese border into one of peace, friendship, tranquillity, cooperation, and good neighborliness, thereby serving to further strengthen the special traditional solidarity between the two peoples and facilitating the livelihood of those living in the border areas.

To translate into reality the spirit of cooperation, Laos and Vietnam also signed an agreement on bilateral border regulations in Ho Chi Minh City on 1 March 1990. The agreement went into effect in early May 1991.

To allow these regulations to go into effect as agreed upon and to facilitate mutual visits and the exchange of goods between Lao and Vietnamese peoples living along the border, the latest agreement stipulated the opening of eight border crossing points from the north to the south. In addition, the two sides also agreed to designate (some other areas as secondary) border crossings. In the near future, Ban Donsavan and Nalai villages will be elevated to be an international border crossing point for Laos. As a matter of fact, the Lao-Vietnamese border has always been [word indistinct] peaceful. The people along the border visit one another by using village or canton border passes. Trading and visits from both sides are conducted according to border regulations and laws of the two countries, thereby contributing to maintaining border peace.

Both the border committees regularly hold a consultative meeting once a year to review the implementation of the agreement. The first meeting was held in Hanoi. The second one was held in Vientiane from 8 to 13 July to review the implementation of the agreement.

Activities of Delegation Reported

BK1908041593 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 18 Aug 93

[Text] On the afternoon of 18 August, the National Assembly delegation led by Comrade Nong Duc Manh, member of the Party Central Committee Political Bureau and National Assembly chairman, who was paying an official friendly visit to the Lao People's Democratic Republic, paid a courtesy visit on State President Nhouak Phoumsavan at the Presidential Palace.

Chairman Nong Duc Manh conveyed the enquiries of Comrades General Secretary Do Muoi, President Le Duc Anh, Prime Minister Vo Van Kiet, and other leaders of the party and state as to the health of President Nhouak Phoumsavan. Chairman Nong Duc Manh reported to President Nhouak Phoumsavan on the great results that the Vietnamese people have achieved during the renovation undertaking, the results of the recent ninth session of the National Assembly, and the results of the visit of the high-level delegation of the National Assembly to the Lao People's Democratic Republic.

Earlier in the visit on 17 and 18 August, Chairman Nong Duc Manh and other delegation members visited the provinces of Champassak and Saravane in the south. At the town of Pakse in Champassak Province, a delegation of representatives of Vietnamese residents greeted Chairman Nong Duc Manh and the delegation. Chairman Nong Duc Manh conversed in a friendly fashion with the group and informed them of the present socioeconomic situation as well as the foreign relations of Vietnam. He also urged the people to keep up with their responsibilities as Vietnamese residents in Laos, abide by the policies and lines of the Lao Government and party, contribute to the building of Laos, and preserve the Vietnamese-Lao eternal friendship.

At Saravane Province, Comrade Thongvang Sihachak, secretary of the party committee and governor of Saravane, greeted Comrade Nong Duc Manh and the delegation and escorted the delegation on a visit to the Laktho tourist center and the 45-MW capacity Saset Hydroelectricity Plant.

Nong Duc Manh Meets Khamtai Siphandon

BK1908131193 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 19 Aug 93

[Text] This morning in the City of Vientiane, Khamtai Siphandon, chairman of the Lao People's Revolutionary Party Central Committee [LPRP CC] and prime minister, received a courtesy call from Nong Duc Manh, Political Bureau member of the Communist Party of Vietnam Central Committee [CPV CC] and chairman of the SRV National Assembly, and his entourage. Accompanying the SRV National Assembly chairman were Saman Vi-gnaket, Political Bureau member of the LPRP CC and chairman of the National Assembly; as well as vice chairmen and a number of members of the National Assembly.

The meeting proceeded in an atmosphere of intimate friendship. Both sides stressed the further development and strengthening of the time-honored friendship relations between the two parties, states, and peoples of Laos and Vietnam. Khamtai Siphandon and Nong Duc Manh exchanged views on various issues concerning the regional and international situations. At the same time, the two personalities firmly reiterated the unwavering views of the parties and Governments of the LPDR and SRV on maintaining comprehensive cooperation in order to further enrich the special solidarity between the two countries and make them become progressive and prosperous.

On the afternoon of the same day, the high-level delegation of the SRV National Assembly headed by Nong Duc Manh concluded his official visit to Laos. At 1235 at the National Assembly hall a grand farewell ceremony was officially held for the visitors in the presence of Saman Vi-gnaket, Political Bureau member of the LPRP CC and chairman of the 3d National Assembly; members of the National Assembly Standing Committee; members of the 3d National Assembly; and a number of high-ranking cadres concerned. Bui Van Thanh, SRV ambassador extraordinary and plenipotentiary to the LPDR; together with some staff members of the SRV Embassy and representatives of the overseas Vietnamese community in Laos were also present at the National Assembly hall to bid farewell to the delegation.

Press Release Issued on Visit

BK2008085093 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 20 Aug 93

["Press release" on "success" of official friendship visit to Laos by high-level SRV National Assembly delegation led by Assembly Chairman Nong Duc Manh; dated 19 August]

[Text] In response to an invitation of Comrade Saman Vi-gnaket, Political Bureau member of the Lao People's Revolutionary Party [LPRP] Central Committee and chairman of the National Assembly of the Lao People's Democratic Republic [LPDR], a high-level delegation of the SRV National Assembly led by Comrade Nong Duc Manh, Political Bureau member of the Communist Party of Vietnam [CPV] Central Committee and chairman of the National Assembly of the SRV, paid an official friendship visit to the LPDR from 15 to 19 August. During the visit, the high-level SRV National Assembly delegation laid a wreath at the monument of unknown fighters in Vientiane and visited a number of economic and cultural establishments in Vientiane municipality and in Champassak and Saravane Provinces. The SRV delegation was welcomed in a warm and friendly atmosphere by the multiethnic Lao people everywhere it visited.

Comrade Khamtai Siphandon, chairman of the LPRP Central Committee and prime minister of the LPDR, and Comrade Nouhak Phoumsavan, Political Bureau member of the LPRP Central Committee and president of the LPDR, received and talked with the delegation in a friendly atmosphere. Comrade Nong Duc Manh, chairman of the SRV National Assembly, called on Comrade Souphanouvong, adviser to the LPRP Central Committee. The high-level delegation of the SRV National Assembly led by Comrade Nong Duc Manh, Political Bureau member of the CPV Central Committee and chairman of the National Assembly, and a high-level delegation of the LPDR National Assembly led by Comrade Saman Vi-gnaket, Political Bureau member of the LPRP Central Committee and chairman of the National Assembly, held talks in a warm atmosphere of fraternity, mutual understanding, and trust. In the talks, the two sides informed each other of the new changes in their respective countries and exchanged views on means to enhance, promote, and expand the relations in all respects between the two supreme power organizations of Laos and Vietnam, the strengthening of the special solidarity between the two nations, and various regional and international issues of common interest. National Assembly Chairman Nong Duc Manh and National Assembly Chairman Saman Vi-gnaket noted with satisfaction that the peoples of the two countries—Vietnam and Laos—have striven together to promote and flourish the special relations of friendship and assisted each other in the national salvation struggle and in the cause of national defense and construction for the benefits of the two peoples and in the interest of peace, tranquillity, and development in Indochina and the world.

On behalf of the National Assembly and people of Vietnam, National Assembly Chairman Nong Duc Manh wholeheartedly hailed and highly assessed the successes won by the multiethnic Lao people in the cause of defending and building the country, in particular in promoting and expanding the people's rights to mastery and rights of being owners of the country, the rights that were explicitly reflected through the past election of the

third National Assembly. SRV National Assembly Chairman Nong Duc Manh wished the fraternal Lao people, under the leadership of the LPRP Central Committee with Comrade Khamtai Siphandon as head, new success in implementing the resolutions of the fifth party congress, building Laos into a peaceful, independent, democratic, unified, and prosperous country, and raising to a higher level the status, role, and responsibilities of the LPDR in the region and the international arena.

National Assembly Chairman Saman Vi-gnaket, on behalf of the multiethnic Lao people, expressed satisfaction over the initial, significant success achieved by the Vietnamese people, under the CPV's leadership, in carrying out the new, comprehensive, and profound renovation cause. He also wished the Vietnamese people new and still greater success in translating into reality the resolutions of the seventh CPV congress and building Vietnam into a wealthy and strong country to positively contribute to the common cause of the peoples of various countries for peace, stability, independence, democracy, social progress, and cooperation in Southeast Asia and the rest of the world.

National Assembly Chairman Nong Duc Manh and National Assembly Chairman Saman Vi-gnaket once again reiterated the aspirations of the LPDR and the SRV to further broaden the friendly relations and cooperation, on the basis of equality and mutual benefits, with various countries in the region to contribute to the cause of turning Southeast Asia into a region of peace, stability, and cooperation. The two sides hailed the outcome of the elections in Cambodia and reiterated the consistent policy of the strict implementation of the Paris accord on Cambodia to turn Cambodia into a peaceful, neutral, and nonaligned state that maintains friendly relations with various countries. The two sides expressed concern over and denounced the acts of the Khmer Rouge side, which has continued to pursue the policy of threatening and killing the Vietnamese residents in Cambodia.

National Assembly Chairman Nong Duc Manh expressed profound thanks to the National Assembly and the multiethnic people of Laos for the warm and friendly welcome of fraternity they accorded to the SRV delegation during the visit on this occasion. On behalf of the SRV National Assembly, Chairman Nong Duc Manh invited National Assembly Chairman Saman Vi-gnaket to pay an official friendship visit to the SRV. National Assembly Chairman Saman Vi-gnaket accepted the invitation with pleasure. The Vietnamese side will be informed later of the dates and time for the visit through diplomatic channels.

[Dated] Vientiane, 19 August 1993

Somsavat Lengsavat Speaks at Indonesian Embassy

BK1808151093 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 18 Aug 93

[Text] On the evening of 17 August, Kasman Pahala Siahaan, ambassador extraordinary and plenipotentiary of the Republic of Indonesia to the Lao People's Democratic Republic [LPDR], and his wife hosted a reception at the Indonesian Embassy in Vientiane to mark the 48th anniversary of the declaration of independence by Indonesia.

Attending the reception were LPDR Foreign Affairs Minister Somsavat Lengsavat, Vientiane Municipality Lord Mayor Boun-gnang Volachit, ministers and deputy ministers, and many diplomats and representatives of international organizations in Laos.

At the reception, speaking on behalf of the Lao Government, Somsavat Lengsavat expressed congratulations and best wishes for happiness and success to President Suharto and the people and Government of Indonesia in building and developing their country. At the same time, he also expressed hope that the relations of friendship and cooperation between Laos and Indonesia will be further developed.

Delegates Return From Police Meeting in Mongolia

BK1508063293 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 14 Aug 93

[Excerpt] The delegation of the Lao People's Democratic Republic International Police Organization led by Colonel Bounpheng Vongphachan, chief of the Office of the Ministry of the Interior, returned to Vientiane on 5 August following its participation in the 12th Asian International Police Organization Conference from 28 July to 1 August in Ulaanbaatar, Mongolia.

Attending the meeting were delegates from international police organizations of 25 Asian countries and four international organizations.

The meeting reviewed problems concerning various criminal issues which occurred in each country over the past two years such as producing counterfeit money, narcotics trading, plane hijacking, illegal weapons trading, producing false travel documents, economic crime, antique and car thefts, sea piracy, and child labor abuse.

In addition, the meeting also discussed measures for future cooperation with one another in various fields such as the exchange of criminal news and information, exchange of visits, assigning coordination officials, returning cross-border offenders, organizing training courses, and crime suppression operations. [passage omitted]

Foreign Investment Over Last Five Years Noted

BK1608101793 Vientiane PASASON in Lao 9 Aug 93 p 2

[Text] According to the statistics compiled by the Foreign Investment Management Committee, from 1988 until this past June, the Government of the Lao People's Democratic Republic [LPDR] has granted permission for investors wishing to invest in Laos in 358 projects with a combined value of more than U.S. \$516 million. Over the past five years, however, 14 of those projects have withdrawn. Therefore, there are 344 remaining projects with a total investment value of more than \$533 million. The total investment value comprises more than \$71.9 million of local funding and more than \$461 million in foreign capital.

The investment can be divided into three categories:

- 1) Contractual businesses—17 projects with a total value of \$9.178 million.
- 2) Joint ventures—151 projects with a total value of more than \$227 million.
- 3) Unilateral foreign investment—176 projects with a total value of more than \$257 million.

Regarding investment quantity, all the projects can be grouped as follows:

- 1) Less than \$1 million—256 projects.
- 2) From \$1 million to more than \$4 million—60 projects.
- 3) \$5 million and over—28 projects.

The investment is concentrated in three major fields: agriculture, industry, and service. There are 65 agricultural projects with a total investment of more than \$98.6 million. There are 134 industrial projects with a total value of more than \$191 million, while the services field includes 145 projects with a total investment of more than \$243 million.

So far, 23 countries have invested varying amounts of capital in Laos. Still in the forefront is Thailand, which has invested in 140 projects with a total investment of more than \$173 million. Second is the United States, investing in 20 projects with a total investment of more than \$81.8 million, while Taiwan has put more than \$44 million into 20 projects.

Nowadays, investors have paid noticeably more attention to the LPDR's openness policies, especially the investment policy. According to statistics, the number of investors in the unilateral investment category is greater than those participating in the joint ventures or contractual businesses groups. The field that investors have paid the most attention to is services, followed by industry and agriculture. There is a trend, however, of gradually increasing investment in agriculture. In the past six months, there was investment in 25 projects with a total value of more than \$21 million, 24 industrial projects

with a total value of more than \$32 million, and 30 projects in the service field with a total value of more than \$23 million.

Circular on Registration of Equipment Issued

BK1908080193 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 18 Aug 93

[Text] On 29 July, the Ministry of Communications, Transport, Posts, and Construction made an announcement regarding certain communications equipment brought into the Lao People's Democratic [LPDR] for use.

The announcement said: In the past, many organizations, enterprises, factories, plants, and local and foreign businessmen operating in Laos have rendered good cooperation [in bringing communications equipment into Laos]. However, it appears that certain sectors have still brought in such equipment for use along the border provinces here without permission, including beehive-system mobile phones, whose frequencies are transmitted through a foreign telephone network, thus violating the sovereignty and privileges of Laos as stipulated in Regulation No. 41/KSN dated 13 August 1990.

Therefore, the Ministry of Communications, Transport, Posts, and Construction would like to inform all sectors, including foreigners, carrying out business operations in Laos, with such communications equipment in their possession, especially the beehive-system mobile phones, to register them with the Telegraph and Telecommunications Department of the Ministry of Communications, Transport, Posts, and Construction as soon as possible. If such equipment is not registered and is found without a registration license after 31 October 1993, it will be confiscated.

Thailand

Foreign Minister Prasong Meets Son Sann 19 Aug

BK1908143393 Bangkok Army Television Channel 5 in Thai 1200 GMT 19 Aug 93

[Text] Son Sann, chairman of the Constitution-Drafting Council of Cambodia, called on Foreign Minister Squadron Leader Prasong Sunsiri at the Foreign Ministry this afternoon for consultations with the latter on how to put an end to the fighting in Cambodia and bring about national reconciliation.

Speaking to reporters after his meeting with the Thai foreign minister, Son Sann said he does not want to see any more killing of Cambodian people, adding that the Khmer Rouge's participation in the government as an adviser is acceptable for the sake of national reconstruction.

Foreign Minister Squadron Leader Prasong said that Son Sann had informed him about the progress of the drafting of the constitution. It is believed that the new

constitution will include clauses on democracy and human rights as well as the role of Prince Norodom Sihanouk as head of the state. The foreign minister said he will tomorrow inform Khmer Rouge leader Khieu Samphan about the Cambodian Government's acceptance of the Khmer Rouge's advisory role. The foreign minister also proposed that all the Cambodian factions turn to each other to put an end to the conflict because it is the best way to achieve national reconstruction.

Thai, Malaysian Prime Ministers Hold Meeting

BK1908142593 Bangkok Radio Thailand Network in Thai 1200 GMT 19 Aug 93

[Text] A Public Relations Department correspondent has reported on the meeting between the Thai and Malaysian prime ministers at Government House this morning.

According to the correspondent, Government House spokesman Aphisit Wetchachiwa said that during their private meeting the two prime ministers expressed the view that the exchange of their visits is valuable because it strengthens their friendship and helps to prevent problems which may arise. The two leaders discussed ways to further advance the already fine cooperation in the economic and other fields with regard to the trilateral cooperation project between Thailand, Malaysia, and Indonesia.

[Begin Aphisit recording] Regarding the trilateral economic cooperation project, the Asian Development Bank is conducting a study on it. However, there are ideas and possible cooperation in several areas which could be implemented immediately. [end recording]

During the meeting, the Thai prime minister asked the Thai foreign minister to give a briefing on the recent visit of the Cambodian co-premiers. In the briefing, Thailand reaffirmed its full support for national reconciliation in Cambodia. The Malaysian prime minister commended the Thai position and said his country is also ready to do the same.

According to the spokesman, the Thai prime minister congratulated his Malaysian counterpart on the greater acceptance and understanding by other countries of his view of the East Asia Economic Caucus [EAEC] as a grouping for consultation, not for establishing an area for trade protectionism.

[Begin Aphisit recording] As occasions arose, the Thai prime minister explained to U.S., European, and Japanese Government officials that the purpose of the EAEC is not for carrying out trade protectionism, but for organizing an economic forum among the East Asian countries. The two leaders also touched on cooperation in the framework of APEC [Asia-Pacific Economic Cooperation]. They then expressed willingness to continue that framework of cooperation.

The Thai and Malaysian leaders also discussed the upcoming visit of the Thai prime minister to China. They noted the ASEAN observation that China has been giving great importance to economic development and that it is in the process of opening itself more widely to free trade. This would mean increased trade and investment with ASEAN, which is regarded as an important step that affects development in ASEAN countries. Therefore, China will be given assurances that ASEAN countries regard it as a friend and look forward to expanding trade and investment cooperation with it. [end recording]

After their private meeting, the Thai and Malaysian prime ministers led their respective delegations to an official consultation.

[Begin recording] [Aphisit in progress] ...that although the situation along the border has changed and the communist threat has ended, the [word indistinct] mechanism is still necessary in order to carry out other tasks as well as to effectively solve the territorial problem.

The Malaysian Joint Authority was also discussed to the effect that after establishment of its office in Kuala Lumpur it will have to carry out concrete activities. [end recording]

Both sides attached considerable importance to economic cooperation, particularly trilateral cooperation in economic development, which was the topic of the recent ministerial meeting in Indonesia. They also brought up the possibility of cooperation on buying gas from Malaysia and on the labor front.

[Begin Aphisit recording] On the labor issue, Thailand has taken action to extend the duration for Thai workers to work in Malaysia to three years as desired by Malaysian employers. There was discussion on the possibility of expanding cooperation in the auto parts industry. Malaysia has succeeded in exporting autos to the UK and other countries, using parts produced in Thailand.

The topics of fishing, overlap of television signals, and potential expansion of the tourism sector were discussed. Thai Minister Sawit and the Malaysian minister for tourism will meet tomorrow on more frequent flights between the two countries. [end recording]

Cabinet Approves Committee for Thai-Burmese Commission

BK1808075993 Bangkok Radio Thailand Network in English 0000 GMT 18 Aug 93

[Text] The cabinet yesterday approved the appointment of the Thai committee in the Joint Thailand-Myanmar [Burma] Commission as proposed by the Ministry of Foreign Affairs. The committee is chaired by the minister of foreign affairs and comprises 28 members. The setting up of the Joint Thailand-Myanmar Commission is in the same pattern as the Joint Thailand-Malaysia

and Thailand-Laos Commissions. The Joint Thailand-Myanmar Commission will be in charge of the cooperation between the two countries in all fields, except on security which comes under the responsibility of the Regional Border Committee, RBC.

Editorial Urges Economic Pressure on Khmer Rouge

BK1908013893 Bangkok BANGKOK POST in English 19 Aug 93 p 4

[Editorial: "Cambodia: The End of the Beginning"]

[Text] The fat lady has not yet broken into song.

The UN-supervised Cambodian elections of May 23-28 were an ambitious, historic attempt by the international community to reclaim a country's destiny. Belying widely-held fears, they went off almost without incident. A dramatic month of jockeying extracted a plausibly (if provisionally) stable interim government from what through much of June seemed an untenable situation.

The task at hand, as UNTAC begins an excruciating and economically devastating pullout, is to deal with the Khmer Rouge. China has vowed to give the outlaw faction no more military aid. The United States means to be helpful by opposing any government that includes them. Cambodian co-premier Prince Norodom Ranariddh has vowed to get tough with them.

"From now on if the Khmer Rouge try to take territory under government control, we will exercise our right to self-defence and we will push them back," he said last week.

With yesterday's attack on the Khmer Rouge in Banteay Meanchey province, the Cambodian government has begun putting its money where Ranariddh's mouth is. The attack is noteworthy for a number of reasons. It is important militarily because Phum Chat is an important logistics base for the rebels. It is significant politically because it marks the first time Cambodia's new unified army has attacked the Khmer Rouge in force. And it comes as a timely reminder that the October 1991 end of Cambodia's civil war may have been more ostensible than real.

War is politics by other means. The Khmer Rouge and the Phnom Penh government both have used military force and the threat of it as they conduct a bizarre, dark kind of mating dance. All parties concerned know Cambodia faces a choice of scenarios: Either a way will be found to integrate the guerrillas into the Cambodian army and the national life, or the country will—at best—remain prey to instability and the lurking threat of violence. No one knows exactly how strong the Khmer Rouge are militarily. That fact makes them immensely stronger politically than they need be. Fuelling the uncertainty is the spectre of continued Thai trade and cooperation with them.

Thais do business with the Khmer Rouge across the border, in gems, timber and other products. Everyone knows that, and virtually everyone decries it. The Thai army and Border Patrol Police are charged with stopping what a U.S. official tactfully has called cross-border "leakage"—smuggling. If they cannot do so, the question must be asked why. Institutions of the Thai state need to serve the genuine, long-term interests of the Thai people.

Trade by definition is undertaken for mutual profit. The Khmer Rouge profit by cross-border smuggling; so do the Thais they do business with. In that truism can perhaps be found the crux of Cambodia's present dilemma.

It is almost a cliché that Cambodia historically has been at the mercy of its much larger and more powerful neighbours. In recent decades, as we know all too well, its people have suffered unspeakable horrors. The secret U.S. bombings that began in 1969 brought to power Lon Nol's corrupt, incompetent regime and ushered in a civil war that left half a million dead. At least one million more perished at the hands of history's most chilling regime. What we tend to call "the" civil war—the war that began with Vietnam's 1979 invasion—supposedly ended in 1991, having wrought more damage.

History should teach us not to scoff at Cambodians' apparent haplessness. The success of the May elections is a hopeful sign, but little more than that. Cambodia has been in flames for long enough now that thoughtful observers can be forgiven for detecting patterns and de facto policies in its plight. Whose interests are served by instability in Cambodia? Why can Thai authorities not put an end to smuggling that supports the Khmer Rouge?

Can the political will be found—inside Thailand—to pull the economic plug on Pol Pot's minions?

That is the question of the hour, as UNTAC begins its withdrawal.

Commercial Offices To Open Europe, Africa

BK1808074693 Bangkok Radio Thailand Network in English 0000 GMT 18 Aug 93

[Text] Thailand will open three more overseas commercial offices in Europe and Africa. The cabinet yesterday approved the opening of new overseas commercial offices in Poland, Turkey, and Egypt. The commercial offices in Poland and Egypt will be set up as planned in the 7th National Economic and Social Development Plan while the one in Turkey has been changed from the planned one to be set up in Pakistan. The cabinet yesterday also approved the relocation of the commercial office in Nairobi, Kenya to Johannesburg, South Africa.

The cabinet also approved the postponement of the opening of three commercial offices in Brazil, Bangladesh, and Finland.

Prisoner Repatriation Treaty With PRC Okayed

BK1808090293 Bangkok Radio Thailand Network in English 0000 GMT 18 Aug 93

[Text] Thailand and China have agreed to repatriate prisoners between the two countries. The cabinet yesterday authorized the Ministry of Foreign Affairs to sign a treaty between Thailand and the People's Republic of China on the issue. The treaty is the same as those signed between Thailand and other countries, such as the United States, Indonesia, and the Philippines.

The signing of the treaty will be undertaken when the minister of foreign affairs accompanies Prime Minister Chuan Likphai on his official visit to the People's Republic of China during 25 August to 3 September this year.

Laos Approves Lignite-Fired Power Plant Plan

BK1908015393 Bangkok BANGKOK POST in English 19 Aug 93 p 26

[Text] Laos has approved Thai Laos Lignite Co's [TLL] plans to build a lignite-fired power plant in the country.

The affiliate of Ngarn-Thavee Group will be able to tap Laos' lignite reserves and profit from electricity sales to Thailand.

Whether the plan will proceed depends on a feasibility study. If the study shows the power plant is viable, a joint venture company or agency will be formed with the participation of foreign companies from third countries, according to TLL's assistant manager, Saman Lertwongrath.

He said a memorandum of understanding was signed late last month between Leun Sombounchan, the vice-chairman of Laos' Foreign Investment Managing Committee and TLL's managing director, Siwa Ngan-Thawi, to allow the Thai mining company to conduct the feasibility study in Chiangon Hongsa province, 50 kilometres north of Nan province, Thailand.

TLL also submitted a pre-feasibility study on the project, conducted by Brown & Root of the United States, to Dr Leun. The study showed that the undertaking was "encouraging" because there were potential lignite reserves in Chiangon Hongsa and electricity demand in Thailand was growing rapidly. The return on investment would be "sound".

Under the pre-feasibility study, a 150-MW power plant would be built requiring a minimum of 40 million tons of lignite.

TLL earlier won a 20-kilometre, 15-year lignite mining concession with renewal for five years from the Laotian Government. The concession has been amended to allow TLL to expand the mining tract to 60 kilometres and extend the mining concession period to equal the life of the planned power plant.

Mr Saman said Hongsa Lignite Co, with TLL holding a 75 percent stake and the state-owned Agricultural and Forest Development Co of Laos taking the remainder, was formed with a registered capital of 80 million baht to undertake lignite mining.

Hongsa Lignite is drilling several wells of an average depth of 200 metres as recommended by the company's consultant, John T. Boyd, a lignite mining expert from the United States, to reconfirm the lignite reserves.

Mr Saman said it would take no more than two months to complete the drilling. An earlier exploration report confirmed that the concession area has at least 150 million tons of lignite reserves.

Under TLL's plan, four 150-MW power plants will be built in stages with the first one to be constructed when the reserves are reconfirmed.

Mr Saman believes electricity sales to Thailand will be possible in three to four years.

He said several foreign electricity producers and financial institutions from the United States, Canada, France and Italy have shown interest in taking part in the project.

"The Laotian Government may not have a stake in the venture but instead it will enjoy income from duty collection after tax holidays granted to the project expire," Mr Saman said.

He said Laos already sells electricity to Thailand from its hydro-electric plants but the new project will be the first to supply electricity to Thailand from a plant fired by lignite.

The electricity price will be competitive, according to Mr Sman.

Further Reportage on Ambush of Troops

Police Official Reports

BK1708150293 Bangkok Radio Thailand Network in Thai 1200 GMT 17 Aug 93

[Text] At 0740 today, a gang of about 17 bandits belonging to the southern separatist group of Ma Sungai Patu ambushed soldiers of the Thaksin Phatthana [Southern Development] Unit 13 who were on their way to build a dam in Ban Bu Rangae, Tambon Krong Pinang, Muang District, Yala Province—about 30 km from the town. The ambush left an officer and a private dead on the spot. The two killed were Captain Nipon Maipho, commander of Thaksin Phatthana Unit 13, and Private Sapaeyu Sani. Four officials were seriously injured and eight others slightly wounded. The wounded officials have been sent to Yala Hospital for treatment.

Immediately after the ambush, the 43d Command of the Combined Civilian, Police, and Military Forces; the Provincial Police Zone 12; and the Border Patrol Police

Unit 44 sent troops in hot pursuit of the gang. The following is a report by Police Major General Anan Henthanon, chief of the Provincial Police Zone 12:

[Begin recording] This morning, Thaksin Phatthana Unit 13 was ambushed by a group of bandits believed to belong to Ma Sungai Patu. We found a message left on the spot claiming responsibility. They said they wanted revenge on our police team—our authorities—who killed three of them several months ago. In fact, we have received warnings from time to time, and we have been very cautious. This morning, after receiving the report on the ambush, I ordered local police and border patrol police officials to comb the area in pursuit of the gang. [end recording]

Prime Minister Comments

BK1708154693 Bangkok Radio Thailand Network in Thai 1200 GMT 17 Aug 93

[Text] Prime Minister Chuan Likphai told reporters that he had instructed the defense minister to leave for the south to inspect the scene of a terrorist ambush on troops. He also wanted stringent measures to be taken in the wake of untoward incidents in the southern provinces. But he said there was still no need to declare a curfew.

[Begin recording] [Chuan] I must discuss with the concerned authorities the issue of stepping up stringent measures.

[Unidentified reporter] Will there be any need to declare a curfew in the southern border provinces?

[Chuan] Not now. Officials will be instructed to step up action and closely monitor the situation, because there have been reports of unusual things there.

[Unidentified reporter] Based on the report submitted to you by the military—the defense minister said he had already given it to you—can you tell us how bad the situation in the south is at present?

[Chuan] Well, what I received was a report about the ambush on the Thaksin Phatthana Group by southern separatists. It said we had two soldiers killed and eleven wounded; of the number five were seriously wounded. We have sent troops in hot pursuit, and there was a second clash. But we still have not had any report on the losses.

[Unidentified reporter] What was the military's preliminary assessment? Was it the work of the same group that is torching schools and throwing bombs in the south?

[Chuan] Based on what I discussed with the defense minister, I think they are more or less linked with each other. Anyway, we should wait for more details from investigations. [end recording]

Vietnam

Cambodia's Ranariddh, Hun Sen To Visit 23-25 Aug

*BK1908110293 Hanoi Voice of Vietnam in English
1000 GMT 19 Aug 93*

[Text] Cambodia's Co-Premiers Prince Norodom Ranariddh and Mr. Hun Sen are to visit Vietnam from 23-25 August. This was announced at a press conference in Hanoi on Thursday. It is the first official visit by leaders of the newly formed interim government in Cambodia. The two sides will discuss the two countries' relations and other issues of mutual concern.

A spokeswoman for the Vietnamese Ministry of Foreign Affairs strongly condemned the Khmer Rouge for killing ethnic Vietnamese in Cambodia at the same press conference. The spokeswoman also affirmed Vietnam's sovereignty over the Spratly and Paracel Islands offshore of Vietnam. She said: Vietnam is ready to settle disputes over the two islands through peaceful negotiations.

Preparations 'Underway' for U.S. Trade Mission

*BK1908133593 Hanoi Voice of Vietnam in English
1000 GMT 19 Aug 93*

[Text] Preparations are underway for the arrival in November of the first ever official U.S. Government-sponsored trade mission to Vietnam. The delegation will be led by the commissioner of commerce of Michigan and will include the director of international trade, the president of the Chamber of Commerce, two state senators and their staff, and five or six very large Michigan companies.

Mr. (John Field Richard), director of the international trade for the State of Michigan now in Hanoi, said that cooperation between Vietnam and Michigan represents a good opportunity for both.

Donor Countries To Share Vietnam's IMF Debt

*BK1908022793 Hanoi Voice of Vietnam in English
1000 GMT 18 Aug 93*

[Text] According to Reuters News Agency, France and Japan have agreed to each pay \$50 million, and Australia, Belgium, Germany, and Sweden a total of \$40 million for Vietnam's arrears to the International Monetary Fund. The seven countries will join many other countries in a conference for donor countries to Vietnam scheduled to be held in Paris in September. The conference is [word indistinct] to focus its discussion on how donor countries should share Vietnam's debt. One suggestion is it be done through a consortium bank which is headed by the French Commercial Bank.

Ministry Spokesman on Cambodia, Spratlys

*BK1908161093 Hanoi Voice of Vietnam Network in
Vietnamese 1430 GMT 19 Aug 93*

[Text] This afternoon in Hanoi, the Ministry of Foreign Affairs held its regular press conference. At the conference, Mrs. Ho The Lan, a spokesperson of the ministry, replied to many questions asked by international and national correspondents.

In answering a question about Vietnam's reaction on the continuous massacre of Vietnamese residents in Cambodia, she said that Vietnam strongly condemned the Khmer Rouge for their cruel acts toward Vietnamese residents in Cambodia. Vietnam draws the world's attention to the brutality and the large scale of the Khmer Rouge campaign of terror on the Vietnamese residents of Cambodia since the establishment of the Cambodian Provisional Government.

Vietnam urgently demands that the international community raise its voice to force the Khmer Rouge to end its crimes of national discrimination and genocide that the whole world finds loathsome.

A Vietnamese radio correspondent asked about Vietnam's reaction to the AFP and BBC reports saying that Taiwan has completed a draft plan to build a tarmac two km long in on Thai Binh Island of the Truong Sa [Spratly Islands] archipelago at a total cost of \$139 million, which can be used for military planes and upgraded to a complete military air base.

Mrs. Ho The Lan said that Vietnam's policy is clear. Hoang Sa [Paracel Islands] and Truong Sa belong to within Vietnam's territorial sovereignty. Vietnam is ready to participate in peaceful talks on disputes relating to this area. We hold that while waiting for a settlement, it is necessary to refrain from actions that may cause more tension in the situation. Taiwan's activities in the Truong Sa area only cause more tension in the region and concern the other countries in the region, contradicting the trend of peace and stability that the neighboring countries hope to become a reality which can serve the development of every country in the entire region.

'Massacres' of Vietnamese in Cambodia Condemned

*BK1908153593 Hanoi VNA in English 1529 GMT
19 Aug 93*

[Text] Hanoi VNA August 19—A regular press conference was held here today by the spokesperson of the Ministry for Foreign Affairs.

In reply of AFP correspondents question on Vietnam's reaction on constant massacres of Vietnamese residents in Cambodia, Mrs. Ho The Lan, head of the Press and Information Department of the Foreign Ministry clearly pointed out that Vietnam strongly condemned the Khmer Rouge for their cruel acts towards Vietnamese

residents in Cambodia. One again, Vietnam draws the world's attention to the savageness and large scale of the Khmer Rouge's campaign of terror on Vietnamese residents in Cambodia since the establishment of the Cambodian Provisional National Government. Vietnam urgently demands that the international community raise their voice forcing the Khmer Rouge to end its national discrimination crime, the genocide that the whole world is loathsome must not recur. The Vietnamese Government respects the Paris agreement on Cambodia. Khmer Rouge, a side that has signed the Paris agreement on Cambodia, also has the task to respect this agreement. Vietnam earnestly demand that the Provisional National Government of Cambodia and UNTAC [UN Transitional Authority in Cambodia] have effective measures to prevent the criminal acts of Khmer Rouge, ensuring the life and the rights to have a peaceful life for the Vietnamese nationals as well as foreign residents in Cambodia. The international convention on the human rights must be respected.

Friendship Groups Discuss Latin American Ties

*BK1908065193 Hanoi VNA in English 0611 GMT
19 Aug 93*

[Text] Hanoi VNA August 19—A conference of the enlarged central committee was held here today by the Vietnam Union of Peace, Solidarity and Friendship Organisations (UPSFO), the Vietnam-Cuba Friendship Association, the Vietnam-Nicaragua Friendship Association, the Committee of Support for the Chileans and the Committee of Solidarity with the Salvadoreans.

Speaking at the event, Deputy Head of the External Relations Commission Do Van Tai, who had just returned from a tour of some Latin American countries, highlighted the situation in these countries. The conference discussed measures to promote the friendly and cooperative relations between Vietnam and Latin American countries.

Party, State Leaders Visit Ho Chi Minh City

*BK1908121193 Hanoi Vietnam Television Network in
Vietnamese 1200 GMT 18 Aug 93*

[Text] During their working visit to a number of southern provinces, President Le Duc Anh, Comrade General Secretary Do Muoi, and Comrade Dao Duy Tung had a working session with the Ho Chi Minh City party committee to assess the local socioeconomic situation. They also exchanged views with representatives of state and nonstate business establishments on the application of a new socioeconomic management system.

Do Muoi Visits Archbishop Nguyen Van Binh

*BK1808092093 Hanoi Voice of Vietnam Network in
Vietnamese 2300 GMT 17 Aug 93*

[Text] While in Ho Chi Minh City on official business on 17 August 1993, Comrade Do Muoi, general secretary of

the party Central Committee, visited Archbishop Nguyen Van Binh, who was receiving treatment at Thong Nhat Hospital.

General Secretary Do Muoi cordially inquired about the archbishop's health, gave him a gift, and expressed the hope that the archbishop would recover soon and live longer to continue promoting religious activities while serving the country. Comrade Do Muoi recommended that doctors at Thong Nhat Hospital give thoughtful care to the archbishop.

Archbishop Nguyen Van Binh emotionally thanked General Secretary Do Muoi, leading party and the government agencies, and doctors and officials of Thong Nhat Hospital for their profound concern and thoughtful care.

Accompanying the general secretary was Comrade Truong Tan Sang, chairman of the Ho Chi Minh City People's Committee.

Le Duc Anh Visits Dong Nai Province

*BK1808125393 Hanoi Voice of Vietnam Network in
Vietnamese 2300 GMT 17 Aug 93*

[Text] In the past few days, President Le Duc Anh paid a working visit to Dong Nai Province to study some socioeconomic issues and inquire about the province's management and investment in its industrial production in the current renovation.

After listening to reports on the local socioeconomic situation, President Le Duc Anh exchanged views on directions for production development and on the renovation of the management structure of state-run enterprises with leaders of the provincial party committee, people's committee, departments, and sectors; district leaders; and managers of central and local state enterprises. The president pointed to the importance of Dong Nai in the key economic areas of south Vietnam and in the economic triangle comprising Ho Chi Minh City, Dong Nai, and Ba Ria-Vung Tau.

While visiting the Vietnam Mechanics Industry Plant, the Net Washing Powder Company, and the Tan Mai Timber Processing Plant, he offered some suggestions on improving production in these establishments. He urged them to pay more attention to the workers' right to mastery under the party leadership to solve difficulties in capital, technology, equipment, marketing, and income distribution in order to accelerate investment for further production.

During the visit, the president paid special attention to the implementation of the hunger alleviation and poverty reduction program and health care service in the province, especially in the former revolutionary bases and rural and mountainous areas. He urged the province to implement universal primary education, accelerate movements to help poor soldier families, and take care of social welfare recipients. The province must increase

production to achieve the target of making people rich, the nation powerful, and society civilized.

On this occasion, from 12 to 14 August, President Le Duc Anh, together with Party General Secretary Do Muoi and Poliburo Member Dao Duy Tung, held a working session with leading comrades of the party committee, people's committee, and some concerned branches of Ho Chi Minh City on issues relating to the renovation of state management.

Vu Oanh, Vo Nguyen Giap Attend Army Gathering

BK1708094493 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 17 Aug 93

[Text] To mark the 48th anniversary of the August Revolution—the Vietnam Liberation Army launched a military campaign in Tan Trao on 16 August 1945 to liberate Thai Nguyen, Tuyen Quang, and other localities—on 16 August, the Liaison Committee of the Vietnam Liberation Army held a get-together for nearly 100 former cadres and soldiers in Hanoi. At the get-together, the veterans recalled the August Revolution spirit and the revolutionary tradition of the armed forces to preserve the quality of Uncle Ho's soldiers in their past work and in their present daily lives, setting a good example of the revolutionary tradition for younger generations.

Comrade Vu Oanh, member of the party Political Bureau, and General Vo Nguyen Giap attended the function.

Nguyen Khanh Attends Ministry Award Ceremony

BK1808091293 Hanoi Vietnam Television Network in Vietnamese 1200 GMT 17 Aug 93

[Text] To mark the 48th founding anniversary of the People's Security Force—19 August 1945 to 19 August 1993—on 16 August 1993 the Interior Ministry's General Department No. 1 held a ceremony to receive the Meritorious Order Second Class from the state president. Meritorious certificates from the government and the Interior Ministry were also given to units and individuals who have performed outstanding work in the field of national security protection.

Attending the ceremony were Deputy Prime Minister Nguyen Khanh and leading comrades of the People's Security Force. Comrade Le Minh Huong, member of the party Central Committee and deputy minister of the interior, commended the notably excellent service of soldiers in the Interior Ministry's General Department No. 1.

On behalf of the government, Comrade Nguyen Khanh, member of the party Central Committee and deputy prime minister, pinned the Meritorious Order Second Class to the flag of the A15 Department. Comrade Le Minh Huong awarded the Military Exploit Order Third

Class to Unit A16 of General Department No. 1. Thirty-four meritorious certificates were issued by the prime minister, 76 meritorious certificates were issued by the Interior Ministry, and 66 meritorious certificates were issued by General Department No. 1.

Doan Khue Writes to 83d Navy Engineering Group

BK1908094193 Hanoi Voice of Vietnam Network in Vietnamese 2330 GMT 18 Aug 93

[Letter from National Defense Minister General Doan Khue to the 83d Navy Engineering Regiment on the occasion of its 35th anniversary; date not given]

[Text] Dear Comrades:

On the occasion of the 35th glorious anniversary of the 83d Navy Engineering Regiment—19 August 1958 to 19 August 1993—on behalf of the party Central Committee Military Commission and the Ministry of National Defense, I would like to convey my cordial regards and warmest greetings to all the cadres, combatants, disabled or ailing soldiers, and families of fallen combatants of the regiment, as well as to those of the regiment who have retired from active duty or have been transferred to other sectors.

Throughout 35 years of building, fighting, and developing under the leadership of the glorious Communist Party of Vietnam [CPV] and respected and beloved President Ho Chi Minh, and thanks to the loving care and assistance provided by people across the country, cadres and combatants of all generations of the regiment have constantly developed the fine nature and heroic traditions of the Vietnam People's Navy as well as the vanguard role of the army-engineer. You have done this by achieving unity and singlemindedness, fighting with bravery and stalwartness, maintaining a positive and resourceful attitude, and making constant efforts to surmount all difficulties and challenges in order to fulfill all work assignments in an outstanding manner. Thus, you have contributed positively to the cause of national liberation and reunification, as well as the tasks of safeguarding the fatherland's sovereignty over sea and island areas, continental shelf, and special economic zones, and of fulfilling our glorious internationalist duties. The regiment is truly worthy of the 'Heroic Unit of the People's Armed Forces' title and other noble awards presented by the state.

I would like to avail myself of this opportunity to commend all of you warmly for your achievements over the past 35 years. You should bear in mind and adequately implement respected and beloved Uncle Ho's teachings as follows: In the past, we had nothing but nights and jungles. Now we have days, the sky, and the sea. Our beaches are long and beautiful. We should know how to preserve them.

I wish you good health and fine achievements.

My cordial and determined-to-win salutations.

Report Details Jul Industrial Production

BK1608103993 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 16 Aug 93

[Text] According to the General Statistics Department, industrial production increased at a relatively good rate in July. In comparison with the same period last year, the total gross production value increased by 10 percent, with increases from centrally managed industrial establishments of 9.4 percent, local 10.7 percent in industry, and 9.6 percent in the nonstate sector.

Production of some important industrial products such as diesel motors, electric engines, chemical fertilizers, paint, cement, and light bulbs increased by as much as 34 to 300 percent.

Production of some other essential products like small machinery, electric transformers, insecticide sprayers, electric fans, and silk, however, decreased. The main difficulty was oversupply of some items like steel, water pump machine parts, insecticide sprayers, electric fans, fabric, silk, wool rugs, and jute bags. Due to the problem, production of these items had to be reduced.

'Impressive Growth' in Jul Cement Output

BK1808150393 Hanoi VNA in English 1403 GMT 18 Aug 93

[Text] Hanoi VNA August 18—National industrial output has posted growth of 10 per cent over the same period last year, with locally owned industries out in front.

In its recent statistics for July, the General Department of Statistics said the locally-owned industries achieved growth of 10.7 per cent.

Central government industry recorded a lower rate of 9.4 per cent. The private sector ranked second with an estimated increase of 9.6 per cent.

Output of some essential products posted growth rates much higher than the national average. These included diesel engines, electrical motors, chemical fertilizers, paints, cement and electric bulbs.

Impressive growth was recorded in cement production in particular, the department said. It added that this was due to continued boom in the construction of housing and infrastructure.

Last year, the four major cement plants turned out 3.5 million tonnes. This year they are striving to produce 100,000 tonnes more than last year and their target appears to be within reach thanks to continued investment, cement plant managers said.

The Hoang Thach Cement was noted as the most profitable producer. It is running up to its design capacity of 1.1 million tonnes a year after nearly eight years of operations.

Of the set target of 1.1 million tonnes, Hoang Thach turned out 565,000 tonnes in the first half of this year of 105,000 more than the same period last year. The high growth was attributable to 8 million dollars worth of new imported parts for the main production line.

The General Department of Statistics said production of some other essential products sustained a drop. These included production of machine tools, electric transformers, electric fans, insecticide sprayers and silk cloth.

Southern District Installs New Telephone System

BK1708093093 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 16 Aug 93

[Text] The Ninh Hai District postal service in Ninh Thuan Province recently expanded its telecommunications network with the installation of a new telephone system. The project cost 1.8 billion dong and was drawn from the provincial and district budgets. It is anticipated that this year, Ninh Hai will provide the local postal service with the necessary funding to install another telecommunications network to link the district with remote villages. The cost of the new project is estimated at 260 million dong.

Khanh Hoa Province Completes Radio, TV System

BK1708124493 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 17 Aug 93

[Text] Khanh Hoa Province has just completed and put into service a system of wire radio and television service for ethnic people in the mountainous district of Khanh Vinh. The total cost was nearly 160 million dong.

Dien Khanh District and Nha Trang Town are already covered by the provincial television service. The other six districts and towns in the province, including the island district of Truong Sa, have had color television transmitters installed to relay and broadcast programs of the Vietnam Television Station and local stations.